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IT IN EUROPE
Suppliers face hectic competition
Section III

World News

Warnings for South African whites on eve of reform poll

Black and white leaders have warned white South Africans that turmoil and destruction lie ahead if they fail to endorse President F.W. de Klerk's reforms in today's referendum of the country's 3.3m whites. Page 20

Iraqi 'supergun' affair
British intelligence has been accused by members of a House of Commons committee investigating the Iraqi "supergun" affair of misleading parliament. Page 6

US unions stay neutral
Most US unions have decided to remain uncommitted in today's Democratic primaries in Michigan and Illinois, despite intense lobbying from Jerry Brown, former governor of California, for their endorsement. Page 3

More Blue Arrow trials
Britain's Serious Fraud Office is intending to mount two further trials against the four remaining defendants in the Blue Arrow scandal. Page 6

Finns in EC protest
Hundreds of Finns protested against the European Community outside parliament in Helsinki as deputies debated a controversial government proposal to seek EC membership. Long road to Brussels, Page 2

Helicopter salvaged
Rescuers recovered the bodies of five oil workers and the wreckage of a helicopter which plunged into the North Sea killing 11 people. Six men survived the accident off the Scottish coast. Page 6

Turkish toll reaches 376
Rescue teams said there was little hope of finding more survivors from the powerful earthquake which hit the Turkish city of Erzincan on Friday. Officials said 376 bodies had been recovered so far.

East Timorese on trial
Two East Timorese university students have gone on trial for allegedly organising a protest in Jakarta against an Indonesian army massacre in Dili in which up to 180 people were killed. Fernando de Araujo and Joao Freitas de Camara face the death penalty.

Iran protests seizure
Iran has attacked as "obscene and illegal" an Istanbul court's decision to confiscate a ship which was stopped by Turkish forces in the Bosporus last October while carrying a cargo of arms to an Iranian port. Page 4

Relief for cosmonaut
A spacecraft is due to dock with the Mir space station on Thursday and will bring cosmonaut Sergei Krikalyov back to Earth. Krikalyov has spent 10 months in space, during which time the Soviet Union collapsed.

Indian receives Oscar
An honorary Oscar for lifetime achievement has been presented in a Calcutta hospital to ailing Indian film director Satyajit Ray.

Missionary murdered
Robbers in Côte d'Ivoire shot dead an 81-year-old French priest, Father Joseph Pfister, who was visiting the West African country where he served for 50 years.

World Cup cricket
Tomorrow's games, which conclude the World Cup's first round, will decide who joins New Zealand, England and South Africa in the semi-finals. Pakistan, who play New Zealand, and the West Indies and Australia, who play each other, all have a chance of advancing.

FT No. 31,711

Business Summary

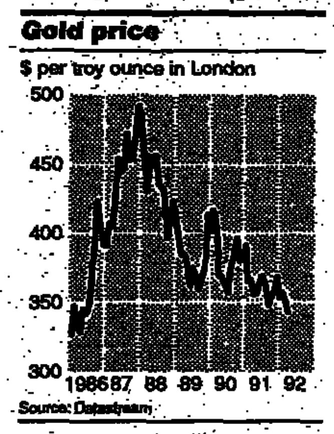
French to probe Glaxo migraine drug promotion

France is investigating Glaxo over the promotion of one of its latest drugs. The inquiry will investigate medical, legal and ethical aspects of the UK pharmaceuticals group's promotion of Imigran, its new migraine treatment.

French officials suspect Glaxo of arranging heavy press coverage to whip up demand for the drug among patients before the government has carried out full checks. Page 20

GOLD hit its lowest price in London since July 1986, dropping to $341 a troy ounce at one stage and finishing $3.80

Gold price



below Friday's close at $342.20. Some analysts said there was now nothing to stop spot gold falling below $300. Page 30

GUINNESS Peat Aviation, big Irish-based aircraft leasing group, announced plans to go public in June and moves to show that its management is "locked in" to the company. The flotation could value the group at over $3bn. Page 21; Observer, Page 18

FOKKER STAKE: Italy's Finmeccanica has built a 5.02 per cent stake in the Dutch aircraft group, it emerged yesterday. Page 21

CHRYSLER's long search for a successor to retiring chairman and chief executive Lee Iacocca ended when the US carmaker named Robert Eaton, president of General Motors Europe, for the posts. Page 21

HYPO-BANK – Germany's Bayerische Hypotheken-und Wechsel-Bank – is launching a one-for-six rights issue soon, aiming to raise DM910m ($545m) for expansion. Page 22

WPP of the UK, world's biggest marketing services group, blamed falling advertising expenditure for its 38 per cent drop in annual taxable profits to £56.1m ($98.7m). Revenues were down 8.8 per cent. Page 21; Lex, Page 20; Background, Page 18

PLAYMATES International of Hong Kong, maker of Teenage Mutant Ninja Turtles, is still the world's most profitable toymaker despite announcing a 27.5 per cent earnings drop to HK$881.6m (US$114.5m) as Turtles sales dwindled. Page 23

LAFARGE Coppée of France, world's biggest building materials group, saw its first downturn in eight years. Blaming deep US recession and problems in Europe, Lafarge reported a 44 per cent drop in group net profits to FFr1.23bn ($220m) in 1991. Page 22

CHRISTIES International, UK auctioneer, slashed its final dividend from 6p to 1p after annual taxable profits dropped from £43.1m to £6.4m. The shares fell 12p to 115p in London. Page 27; Lex, page 20

INVESTCORP, international bank which feeds Arab money into western industry, is leading a group of investors in a $450m bid to acquire Circle K, US stores chain. Page 24

IMI, big UK-based engineering group, saw 1991 pre-tax profits fall by over a third to £73.3m ($129m) as depression hit its titanium business. Page 27

Yeltsin heads defence ministry while 1.5m strong force is created

Russia to form its own army

By **John Lloyd** in Moscow

MR Boris Yeltsin, the Russian president, yesterday signed a decree clearing the way for the restoration of a purely Russian army, 75 years after its defeat in the First World War precipitated the Bolshevik revolution.

The decree, signed immediately after Mr Yeltsin's return from holiday, creates a Russian defence ministry of which he will take temporary charge while the military forces are created and the lines of command cleared. This is a break with both Soviet and Russian Tsarist tradition under which the post was held by a military officer.

General Dmitri Volkogonov, a military adviser to Mr Yeltsin, told a meeting of Russian deputies last night that the armed forces would take two years to create and might number between 1.25m and 1.5m men. That compares withthe 3.7m-strong former Soviet army, now under operational federal control of the Commonwealth of Independent States.

The timing of the move may be meant as a show of strength in the face of demonstrations planned in central Moscow today by communist diehards and resurgent nationalists, which the organisers claim will be heavily supported.

It may also be an attempt to set the agenda before Friday's crucial meeting in Kiev of CIS leaders, which will consider the division of the old Soviet army's assets and future military structures.

Russia is anxious to extricate its men – who make up the bulk of the former Soviet army – from the growing number of trouble spots around the former Union, most notably Nagorno-Karabakh. Yesterday's decision reflects the reality that Russia can no longer afford, and does not wish, to intervene in conflicts outside its influence.

The Russian leadership is, however, reluctant to cast aside the CIS military command altogether, in part because it will continue to control the strategic nuclear forces for at least the next two years. Mr Sergei Shakhrai, the Russian deputy prime minister, said the Russian army would be created within the bounds of the CIS armed forces.

Almost all the former Soviet republics are now committed to forming their own armed forces – although only Azerbaijan, Belarus and Ukraine have said they will do this outside the CIS framework.

Russia's decision to create its own military is likely to force the other republics rapidly to build up their own defence forces – with the CIS being confined, at best, to a loose co-ordinating role.

Mr Yeltsin's decision to take over the defence ministry was in part to avoid a "conflict between the democrats and the military" over whether the defence minister should be a general or a civilian, said Mr Shakhrai – giving a glimpse into the still-existing power of the generals. He said such a struggle "could lead to grave consequences".

Mr Andrei Kokoshin, deputy director of the USA Canada Studies Institute and the most prominent civilian candidate for the post, said he believed his candidacy was still in play once Mr Yeltsin stepped down from the ministry after the initial period of creating the military forces had passed.

Mr Nursultan Nazarbayev, the president of Kazakhstan, chose yesterday to announce the formation of a national guard dedicated to guarding the constitution, the republic's vital interests and citizen's freedoms. No mention was made of the size of the guard.

■ CIS hard currency gap expected to exceed $15bn
■ Diehards challenge Moscow
■ Ukraine's U-turn on debt
Page 2
■ A shot in the parade ground
Page 19

Demonstrators outside the Moldovian embassy in Moscow yesterday protest against the government's treatment of rebels who are seeking independence for the republic

Shares in Tokyo fall to lowest level for five years

By **Stefan Wagstyl** and **Emiko Terazono** in Tokyo

SHARES on the Tokyo stock exchange closed at their lowest level for five years yesterday as the Nikkei index of leading stocks dropped through the 20,000 barrier. Although dealers blamed the fall mainly on technical selling, one analyst described sentiment in the market as "completely shot".

The Nikkei index lost 618.90 points to close at 19,837.16. While the fall below 20,000 had been widely expected given the market's weakness in recent weeks, it had an unsettling effect on investors. Many are bracing for further declines, fearing that the poor financial health of some securities companies and some banks will undermine the market.

Equities have now lost all the spectacular gains made in the late 1980s, when a supply of cheap credit prompted a wide-ranging financial boom. Stocks have slumped in response to higher interest rates, declining economic growth and political turmoil in Japan and overseas.

The Nikkei last closed below 20,000 in February 1987 and the broader Topix index, which shed 19.14 points to close at 1,444.86, is at its lowest since November 1986.

The Tokyo market now stands 49 per cent off its 1989 peak, in contrast to New York and London, where shares have been trading relatively close to all-time highs.

Yesterday's losses were triggered by a modest spate of selling by Japanese corporate and institutional investors preparing their books for the end of the financial year on March 31. It was the last day for some groups of investors to complete transactions in time for the year-end.

Mr Shiomichi Kawamoto of the investment management affiliate of Sumitomo Life, a life assurance company, said yesterday: "The Nikkei may rebound above 20,000 but the overall downward trend is unchanged. Who will buy stocks from securities companies which are about to collapse?"

A significant minority believes share prices are bottoming out, although some analysts were yesterday predicting further falls in coming weeks.

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Fund managers phlegmatic, Page 4; Gathering storm, Page 19; Lex, Page 20; World stocks, Back Page Section II

Labour pledges to ease UK tax burden

By **Philip Stephens** and **Ivo Dawnay** in London

BRITAIN'S opposition Labour party yesterday promised that 80 per cent of the country's voters would gain from the party's taxation plans if it wins the April 9 general election.

As the battle over tax and spending moved to the centre of the UK election campaign, Mr John Smith, Labour's chief finace spokesman, said he would raise income tax thresholds by 10 per cent, and increase state pensions and child benefit.

Mr Smith also pledged abolish National Insurance payments on the first £54 ($95) per week of income earned. In Britain, National Insurance is levied on earnings at source to help pay for social security benefits.

But in a so-called "shadow budget" designed to seize the initiative from the Conservatives during the first week of the election campaign, Mr Smith signalled that lower bills for the vast majority of voters would be paid for by a sharp increase for those on high incomes.

He said that he would introduce a new top 50p top rate of income tax on earnings above £40,000 and abolish the present earnings ceiling on National Insurance Contributions. The changes mean that everyone earning more than £21,060 will pay 9 per cent more on every extra pound of income and those with gross incomes of above £40,000 will face an increase of 19 per cent.

The package brought immediate charges of a Labour "retreat" over the principle of tax cuts from Mr Norman Lamont, the chancellor of the exchequer. Mr Michael Heseltine, the environment secretary, warned that much higher taxes for those on middle incomes would threaten a collapse in the housing market in southern England.

But Labour said it was a "carefully-calulated gamble" to outbid the Conservatives in the battle for the votes of those on average incomes. Even in some of the crucial electoral battlegrounds of London and the South East, only about 15 per cent would lose and the majority of those would be Conservative supporters.

Mr Smith, who unveiled plans for a package of measures to provide incentives for industrial investment, increase training provision and provide more funds for health and education acknowledged that the measures would involve a significant redistribution of income. He calculated that over two years, his budget would release £1bn for the health service, £600m for education and £1.1bn for his "economic recovery programme".

As senior Labour figures claimed that the party had "outflanked" the Conservatives, Mr Smith said: "We have had 13 years in which people at the top got preferential treatment. In this budget we are starting to take back something for the average taxpayer and the average family".

Mr Smith revealed that he would raise some of the money to finance the package by postponing for a further year the abolition of stamp duty on share transactions and by

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■ Labour's recovery plan in full
■ Economists give their ratings
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■ The markets take cover
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■ The ineffectiveness of targeting voters
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■ Editorial Comment Page 18
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Nestlé wins crucial court ruling in fight for Perrier

By **Alice Rawsthorn** in Paris

NESTLE, the Swiss food group, yesterday won what may prove a crucial round in its fight for control of the Perrier mineral water group.

A Paris court invalidated the purchase of a 13.8 per cent stake in Perrier by Saint Louis, the French sugar company, an ally of Italy's Agnelli family, Nestlé's opponents in the Swiss group's FFr13.42bn (£1.38bn) bid for Perrier.

This is the second major court case that Nestlé has won in the course of the takeover battle. Ten days ago another French court froze the voting rights on part of the Perrier shares owned by Exor, the property group that controls Perrier. Exor is the subject of an agreed FFr5.6bn bid by the Agnellis.

These cases will be critical in determining Nestlé's chances of winning control of Perrier. Previously, the Agnelli camp could have blocked the Swiss group's bid, given that it controlled nearly 49 per cent of the voting shares. However, its stake has now been reduced to 31 per cent, giving Nestlé more room for manoeuvre.

"Nestlé now has a very good chance of winning control of Perrier," said Mr John Graham, an analyst with UBS Phillips & Drew in London.

Yesterday's case hinged on whether Perrier had sold the block of new shares to Saint Louis as part of a "concert party" to block Nestlé's forthcoming bid. The court has now annulled the sale so the Saint Louis shares have, in effect, disappeared.

However, Nestlé, which joined forces with Indosuez, the French bank, in its bid for Perrier, will almost certainly have to raise its offer since Exor recently mounted a counter-bid for the rest of the mineral water company's shares at FFr1,475, matching Nestlé's price.

Perrier's shares rose by FFr14 to FFr1,650 in Paris yesterday on expectation of a counter-bid. The consensus among analysts was that Nestlé would not have to bid much more than the current market price to win control unless the Agnellis, who stand to make a considerable profit on their Perrier shares, decide to continue the fight by making yet another counter-bid.

Conversely, the Agnellis, who have been pitted in the battle against their old ally, BSN, the French food group which has aligned itself with Nestlé by mounting a FFr6bn counter-bid for Exor, could decide to negotiate a settlement.

Mr Loïc Morvan, an analyst with James Capel in Paris, said the court victories would give Nestlé a "considerable psychological advantage" in negotiations.

Nestlé and BSN have already indicated that they would be amenable to negotiation. They could cede Perrier and Exor's wine and property interests to the Agnelli camp in return for the mineral water brands.

Lex, Page 20

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Why the Midwestern primaries matter so much to Clinton

Democratic presidential frontrunner Bill Clinton needs a solid endorsement in today's Illinois and Michigan primaries to *prove that he is genuinely electable against* George Bush
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MARKETS

STERLING
New York:
$1.7220 (1.7075)
London:
$1.7155 (1.7125)
DM2.8575 (2.855)
FFr9.705 (9.6875)
SFr2.5925 (2.58)
Y229.75 (228.75)
£ index 89.9 (89.7)

GOLD
New York Comex Apr
$343.9 (347.3)
London:
$343.2 (347.0)

N SEA OIL (Argus)
Brent 15-day Apr
$17.85 (17.875)

Chief price changes yesterday: Page 21

DOLLAR
New York close
DM1.6615 (1.6697)
FFr5.642 (5.6675)
SFr1.565 (1.51)
Y133.66 (133.665)
London:
DM1.6655 (1.6665)
FFr5.6575 (same)
SFr1.511 (1.507)
Y133.95 (133.55)
$ Index 65.5 (65.4)
Tokyo close: Y134.3

US closing rates
Fed Funds: $4\frac{3}{8}$ ($3\frac{5}{8}$%)
3-mo Treasury Bills:
4.14% (4.138%)
Long Bond:
$99\frac{5}{32}$ ($99\frac{7}{32}$)
yield: 8.07% (8.063%)

STOCK INDICES
FT-SE 100: Yield 5.00
2,470.7 (−5.3)
FT-A All-Share:
1,189.05 (−0.3%)
FT-SE Eurotrack 100:
1,145.61 (−8.79)
New York:
DJ Ind. Av.
close6 (+0.45)
S&P Comp
406.39 (+0.55)
Tokyo: *Nikkei*
19,837.16 (−618.90)

LONDON MONEY
3-month interbank:
$10\frac{13}{16}$% ($10\frac{7}{8}$%)
Life long gilt future:
Jun $94\frac{23}{32}$ (Jun $94\frac{1}{2}$)

USSR diehards challenge Moscow

By John Lloyd in Moscow

ABOUT 5,000 troops are being drafted in to guard the Kremlin today as the authorities take extraordinary precautions to preserve the peace at demonstrations planned by communist and nationalist forces in the centre of Moscow.

Organisers of an extraordinary session of the Congress of Peoples' Deputies of the USSR (photograph right) - dissolved last year shortly before the Soviet Union itself was consigned to history's dustbin - are, meanwhile, taking even more extraordinary precautions to disguise the venue.

The participants will gather early today outside the Moskva Hotel and drive in coaches to a clandestine destination. One possible venue is the offices of Pravda, the former main newspaper of the Soviet Communist Party which suspended publication on Saturday due to debts.

The aim of the congress is to muster support for the recreation of the Soviet Union - a state which the organisers say still exists because of the continuing interdependence of its former republics.

The Russian and Moscow authorities are treating the demonstration and the congress as dangerous manifestations amounting to possible attempts at an overthrow of the government.

Mr Gavriil Popov, the Moscow mayor, has allowed the demonstration to take place on the central Manezh Square provided it does not block the traffic.

But Mr Serghei Shakhrai, the deputy prime minister of Russia, said the demonstration and the session were "a very serious matter", and warned of possible violence.

So far, however, the organisers of the demonstrations appear to lack mass followings, while the organising committee of the congress are distinguished more by their paranoia than by their power.

They are charging the Russian authorities with being both repressive and fearful of them.

Colonel Nikolai Petrushenko, who was once, with Colonel Victor Alksnis, one of the feared "black colonels" of the Soyuz group of USSR deputies, complained yesterday that he had been reported to the police when he checked into the Moskva Hotel.

Mrs Saji Umalatova, one of the main organisers, said heavy government pressure had frightened off many who might otherwise have attended.

Mr Yuri Golik, a Russian deputy, gave the most optimistic asessment of today's attendance when he said that 1,470 deputies - out of a former count of 2,250 - had said they would attend, but "we cannot tell how many will actually arrive in Moscow".

Soviet revivalists: Deputies of the former Soviet Congress of People's Deputies (from left to right) Saji Umalatova, Alexander Kraiko, and Colonel Nikolai Petrushenko explain their plans to defy the Russian government and call a session of the Congress

Ukraine explains U-turn on debt

By Chrystia Freeland in Kiev

UKRAINE yesterday justified its decision to back down and agree to share collective responsibility for the former Soviet Union's debt with the other republics.

Mr Vitold Fokin, the prime minister, said Ukraine had obtained important concessions on Vnesheconombank, the bank through which the foreign debt is serviced and which will now be controlled primarily by Russia and Ukraine together.

Mr Fokin was defending a change of stance by Ukraine, which was previously demanding that it should be allowed to pay its share of the debt to western creditors independently of the other republics.

Underlining the haphazard state of the debt negotiations, Mr Fokin admitted that Ukraine had not yet actually signed the critical Group of Seven memorandum – which binds all the republics to "joint and several" responsibility for the debt – because officials had misplaced the text. Signature by Ukraine was a condition set for the restructuring of Vnesheconombank, and Mr Fokin insisted that Ukraine did intend to sign.

He said the bank would in future be governed by an inter-state council which will have three co-chairs, one from Ukraine, one from Russia and a third representing the other 10 republics on a rotating basis. The voting structure of Vnesheconombank is also to be slanted in Ukraine's favour, Mr Fokin said. Votes are to be distributed according to each republic's share of the debt, but decisions can only be taken if they are backed by 80 per cent of the votes.

Mr Fokin said this structure could give Ukraine, which has agreed to pay 16.37 per cent of the debt, veto power if it had the support of any one of the medium-sized republics. The bank's operations are to be fully transparent and subject to the supervision of an independent auditor. Mr Fokin also reiterated plans to introduce a separate currency in two to four months.

The leaders of Moldova's breakaway Dnestr republic cracked down on opposition yesterday, threatening to expel dissidents, Reuter reports from Moscow. A state of emergency means anyone helping the Moldovan authorities will be expelled from the Dnestr region, Itar-Tass news agency said. Moldova refuses to recognise the self-styled republic, which borders Ukraine on the east bank of the Dnestr river.

The ethnic Russian minority in the east of Moldova declared the breakaway Dnestr republic in September 1990 over fears that Moldovan efforts to unite with neighbouring Romania would make them second-class citizens.

Brussels firm on aid terms

By David Buchan in Brussels

THE ex-Soviet republics face an increasing hard currency financial gap which could rise to between $15bn and $25bn next year, and will probably need western aid to supplement International Monetary Fund credits, an EC Commissioner said yesterday.

But Mr Henning Christophersen, the EC economic affairs commissioner, confirmed yesterday's decision by EC finance ministers to let the IMF take the lead, admit Russia and the three bigger members of the Commonwealth of Independent States (CIS) next month, and set the conditions for stabilising their economies.

EC ministers also refused to soften their legal terms for the Community's Ecu1.25bn (£880m) pending food credit to the CIS. They agreed that CIS borrowers must agree to submit to court action in the event of default on repayment.

If Russia – which has already received an EC-backed Ecu500m bank credit to buy food and medical supplies – continued to insist on its "sovereign immunity" from court action, the Community loan would go ahead to CIS republics like Ukraine, Belarus, Kazakhstan, Uzbekistan, and Kyrghystan, which had agreed to waive this right.

Mr Jean-Claude Trichet, the French Treasury director who has led Western negotiations on CIS official debt, told EC ministers that Ukraine, Uzbekhistan, Azerbaijan and Georgia now appeared to have agreed to join other CIS states in shouldering responsibility for past Soviet debt (as of October 28, 1991).

Settlement of the responsibility for this debt, which the Commission says totalled $68bn by end-1991, is another EC precondition for new lending to the CIS.

EC ministers decided to await a green light from the IMF before trying to mobilise any extra macro-economic aid for the CIS, despite warnings from some in the Commission, notably Mr Frans Andriessen, the external affairs commissioner, that IMF assistance might be too little and too late to prevent further economic and political instability within the CIS.

However Mr Christophersen said extra aid would be needed by 1993.

Kiev to host Karabakh peace talks

THE LEADERS of Armenia and Azerbaijan will meet in Kiev this week in a fresh attempt to resolve their conflict over the enclave of Nagorno-Karabakh, Armenian President Levon Ter-Petrosian said yesterday, Reuter reports from Yerevan, Armenia.

Mr Ter-Petrosian said both he and Azerbaijan's acting president, Mr Yagub Mamedov, had agreed to attend the talks on Thursday.

It will be their first meeting since Mr Mamedov took over 10 days ago from the ousted Azeri head of state, Mr Ayaz Mutalibov.

The talks are on the eve of a summit of the Commonwealth of Independent States (CIS) in the Ukrainian capital.

Opposition to EC spending rise of Ecu20bı

Germany and Italy express concern about Delors budge

By Andrew Hill in Brussels

FINANCE ministers from Italy and Germany yesterday voiced their deep concerns about Mr Jacques Delors' five-year EC budget plan.

Mr Theo Waigel, the German finance minister, told the European Commission president and his EC colleagues that the budget package - which would run from 1993 to 1997 - was "not acceptable in its present form". Mr Guido Carli, Italy's finance minister, echoed a confidential Italian treasury document which suggests that an enlarged EC budget is "incompatible" with parallel demands on Italy to shrink its public debt.

Germany's principal objections to the package focus on the call by southern member states' for EC money to fund closer "cohesion" with their wealthier northern counterparts.

Germany - itself under pressure because of the cost of unification of east and west - argues there is a risk that cohesion money will be considered the only instrument for encouraging convergence of EC economies.

Mr Waigel said the 1993 start-date for the plan gave member states plenty of time for a closer analysis of the budget. Supporters of the so-called Delors package want any debate over its content to be resolved by the Lisbon summit of EC leaders at the end of June.

Mr Pierre Bérégovoy, the French finance minister, is holding fire on the Delors proposals while they are examined by the French treasury.

The finance ministers - discussing the package for the first time - did not examine the budget plans in detail, but a number of member states voiced objections to the proposals, which envisage an annual increase in EC spending of nearly Ecu20bn (£14.2bn) by 1997.

The sceptics even included federalist Belgium. Mr Philippe Maystadt, the finance minister, said that although Belgium respected the commitı made at the Maastricht mit last December, the ected figures in the b looked enormous and weı completely justified.

"Wanting to control ex ture does not mean one i essarily in the British c he said - a referenc Britain's vocal oppositi budget increases.

On the other hand, Mı Treacy minister of state Irish department of fir said Ireland welcome Commission proposals good starting point. Ir believes substant increased funding for developed EC membe essential to give force Maastricht treaty's co ments on economic and tary union.

EC finance ministers last night supported legislation a at preventing banks overstretching themselves with loans to single clients, writes Andrew Hill. French and ish objections to the detail of the measure still have ironed out. But all 12 ministers agreed that the ceili bank loans to individual clients should be brought do the equivalent of 25 per cent of a bank's capital.

Britain imposed a 25 per cent ceiling after Johnson hey Bankers, a small bullion bank, came near to colla 1984, having made large loans to a small number of du companies. The measure agreed yesterday should prev repeat of that episode in other EC countries.

France to reform pensions system

By Alice Rawsthorn in Paris

THE FRENCH government will table legislation before the end of June to reform the pension system, with the introduction of new tax-efficient personal equity plans a central feature.

Mr Pierre Bérégovoy, the French finance minister, said in an interview with the newspaper, La Tribune de l'Expansion, yesterday that he saw the proposed eight-year personal equity plans as the basis for a private pension system to run alongside the existing state pension scheme.

Pension reform is a pressing issue in France. Almost all pensions are provided by the state with the exception of the small number of *fonds salariaux* schemes for senior executives.

The government runs the system through the Caisse de Retraite, a body that pays for pensions with money received from those in employment.

However, this system, devised after the end of the second world war, is coming under strain as the elderly population increases and there are proportionally fewer people in employment to pay for their pensions. The logical solution would be to expand the use of private pensions.

The government, however, has been reluctant to act partly because of opposition from the trade unions, who believe pensions should continue to be solely provided by the state. There is also the political problem of asking the electorate to pay extra money for their own private pensions at the same time as they are contributing to the state scheme.

Despite these obstacles Mr Bérégovoy earlier this year signalled that the government was determined to take action.

Mr Bérégovoy originally considered a German-style system of corporate pension plans but was deterred by the complexity of such an initiative, as well as by the impact of the Maxwell pension scandal in the UK.

French consumer prices rose a provisional 0.3 per cent last month, holding year-on-year inflation roughly steady at 3 per cent, according to Insee, the state statistics body, writes William Dawkins in Paris. The increase widens the gap between French and higher western German inflation rates because of a 0.6 point rise in Germany last month. Inflation in France now runs at 1.3 percentage points below western Germany - as against 1.1 points at the end of January.

Belgium t use VAT in deficit battle

BELGIUM'S new centı coalition government y day unveiled value-adde rates, higher excise dutie budget savings to tackl country's large budget d Reuter reports from Brus

The government, swo just over a week ago more than 100 days of po stalemate, has made red the deficit, one of the h in the European Comm its top priority.

A statement issued a special cabinet meeting the standard value-adde (VAT) rate would be ı half a percentage point t per cent and excise duti fuel increased from April

This would raise goverı revenue by BFr6.6bn (£ the statement said. An BFr6bn will be saved b ting government admin tion costs by 5 per cent, ing new spending on d and limiting civil se recruitment. The total i far from the BFr94bn in tional revenue and savin government has to fi bring the 1992 deficit int with the target of BFr405

The government said i also scrap the top VAT ı 33 per cent for luxury and 25 per cent for elec goods - which will be ch at the new 19.5 per cent.

Hopes dim fo survivors of Turkish quak

RESCUE teams said yest that there was little ho finding more survivors f powerful earthquake whi eastern Turkey, Reuter re from Erzincan, Turkey.

Officials said 376 bodie been recovered since the measuring 6.8 on the Ri scale battered the easterı of Erzincan last Friday. said 688 people had injured. "We cannot est how many people are missing. We will have the figure only when the deb cleared," Erzincan's prov governor, Mr Recep Yazic said. Mr Rami Eren, the ish-born director of a disaster relief team. He freezing temperatures in reduced the possibility of ple surviving for up to days.

NEWS IN BRIEF

Bosnia's rival leaders search for settlement

The rival leaders of Bosnia-Hercegovina yesterday resumed talks, sponsored by the European Community, on the future of the central Yugoslav republic against a background of continuing ethnic tensions, writes Laura Silber in Belgrade.

The leaders of Bosnia's Slavic Moslems, Serbs and Croats, the three main national groups, held the fifth round of closed-door talks in Sarajevo, the capital. But European diplomats yesterday feared the leaders are no closer to agreement over Bosnia's future. Radio Belgrade reported that Mostar, in western Bosnia, remained barricaded for the second day running after residents demanded that local authorities close down a bar used by Yugoslav army reservists. Moslems and Croats have called for the Serb-dominated army to withdraw from Bosnia.

EC, US air subsidy talks resume

The European Community and the US were locked in crucial talks yesterday to solve a five-year dispute over aircraft subsidies, officials said, Reuters reports from Brussels. The two days of talks could determine whether Washington lodges a long-threatened complaint with the General Agreement on Tariffs and Trade (Gatt) over EC government support to Airbus Industrie. Washington has accused the consortium of using subsidies to undercut US manufacturers Boeing and McDonnell Douglas.

German N-power status denial

Germany yesterday strongly contested the view expressed in a Pentagon study that it would seek to become a nuclear power, Reuter reports from Bonn.

"This scenario that Germany could one day in the future have its own nuclear weapons is not, absolutely not justified," government spokesman, Mr Dieter Vogel, said.

Responding to US media reports that the study envisaged Germany and Japan joining the nuclear club, Mr Vogel said the Pentagon paper represented neither the official views of the US Defence Department nor the White House.

Hungarian inflation slows

Inflation in Hungary slowed sharply for the second month running, with February consumer prices 25.8 per cent higher than a year before, according to official figures released yesterday, writes Nicholas Denton in Budapest. The most recent falls came as the effects of subsidy cuts and price liberalisation at the start of 1991 worked their way through the system.

Irish bank dispute to continue

The limited industrial action against the four leading banks in Ireland is likely to continue after Allied Irish Bank failed to persuade the High Court to issue an injunction against the Irish Bank Officials' Association, Vincent Boland writes from Dublin. AIB had asked the court to overturn a directive from the union banning its members from processing fees, commissions and charges in a dispute over pay and productivity. AIB described the union move as illegal and suspended more than 600 employees.

Finns start the long road to Brussels

Sara Webb on how the country sees its future as part of the European Community

MUCH as the Finns hate to be seen copying their neighbours and traditional rivals in Scandinavia, tomorrow they are expected to follow Sweden's example and make a formal application to Brussels for European Community membership.

The majority of Finnish politicians and industrialists see EC membership as vital to Finland's economic interests at a time when the country is suffering from a severe recession and a decline in trade with the former Soviet Union, once one of its most important trading partners.

If parliament votes tomorrow in favour of applying for membership, the government aims to start membership talks as soon as possible and will join its fellow Efta-members, Sweden and Austria, in parallel negotiations. Its aim is to be a full member of the EC in 1995, but will hold a referendum before a final decision to join.

EC membership is firmly supported both by the opposition Social Democrats and by the Conservative Party, which rules in a coalition with the Centre Party. But the issue has proved a difficult one for Prime Minister Esko Aho's Centre Party. His party represents the country's farmers, many of whom are concerned that EC membership will spell an end to their generous subsidies.

Mr Ilkka-Christian Björklund, a member of the Social Democrats' EC working group, says: "The Centre Party has faced a dilemma. It is the most anti-EC of the three parties, but it has been forced to lead the EC application because it knows that if it opposed EC membership the existing Conservative-Centre government would split and it would be succeeded by the Red-Blue coalition (the name given to Finland's previous Conservative-Social Democrat governments)".

Prime Minister Aho: seeks full EC membership by 1995

However, Mr Björklund predicts that there will be no problem in winning parliamentary approval for membership. "Even if it's in our interests to fight against this government, we think that this is a matter of national and historic interest and we have no intention of jeopardising it." Three weeks ago, the Centre-Conservative government agreed to apply for EC membership provided it received parliamentary approval, saying "Finland can best pursue its national interests as a member of the European Community."

The Confederation of Finnish Industries (CFI) pointed to the important economic and trade benefits of EC membership in a recent statement, saying that it would "lower domestic costs and prices to a competitive European level" and "stimulate exports and domestic investment as well as allow the possibility to influence the future development of the Community." It adds that Finland would become "more appealing" to Russia as a trading partner, and would be able to join in the closer co-operation between the EC and the central and eastern European countries.

However, it is on the matter of economic and monetary union (Emu) that the CFI sees the clearest advantages: the fact that Emu remains outside the scope of the European Economic Area "necessitates Finnish membership in the EC," the Confederation says. The advantages would include lower interest rates, stable exchange rates, and lower state budget deficit and debt levels.

Such a scenario seems all the more attractive in the light of Finland's current economic woes: GNP fell by 6 per cent in 1991, unemployment hovers around 10 per cent, and three-month money market rates soared to nearly 15 per cent last autumn, although they have fallen back to around 12 per cent since the devaluation of the markka in November 1991. On a more positive note, annual inflation is gradually falling, reaching 2.6 per cent in February, down from 2.9 per cent in January and 5.0 per cent in February 1991.

While industrialists and politicians are excited about the economic advantages of joining the EC, Finland's small but outspoken farming community is less enthusiastic.

Agriculture accounts for a mere 3.9 per cent of Finland's GDP and 7 per cent of the workforce, but the sector receives generous subsidies. Mr Jarmo Vaittinen, of the Central Union of Agricultural Producers and Forest Owners, is resigned to the fact that Finland will apply for EC membership, but adds: "we must get EC members to understand our special climate – we want the EC to understand why Finland has subsidised agriculture, why we need to keep a big country populated, because it is vital for us and for the EC to keep the north populated."

Mr Erkki Tuomioja, a Social Democratic MP, says he expects Finland "will get a fair deal on agriculture...subsidies will have to be adjusted and phased out gradually and there will be a period of adjustment." Plans to make Finnish agriculture more competitive include a more favourable tax burden and low-interest loans to encourage farmers to increase the size of their farms.

"Agriculture is very, very small in terms of GNP, but very important in terms of population," says Mr Keijo Korhonen, former Finnish UN ambassador and now editor-in-chief of Kainuun Sanomat, a Centre Party newspaper in Northern Karelia. Mr Korhonen opposes EC membership, warning that if Finland makes sacrifices on agriculture, it will lead to higher unemployment and "pauperisation."

He also believes membership would compromise Finland's neutrality, adding that Finland cannot afford to take risks on its security given its historical relations with Russia and the fact its powerful neighbour is in a potentially unstable state.

"When it comes to supranational decisions (in the EC) our own weight would be very very small indeed. Quite simply the cost of membership outweighs the benefits," he says.

Whatever his views though, a national poll taken by Gallup in mid-February showed that 55 per cent of those questioned thought EC membership would provide more advantages for Finland, 21 per cent thought it would bring disadvantages and 23 per cent couldn't tell.

Some 2,000 Finns joined a protest rally outside the parliament building yesterday as deputies inside the chamber began debating the government proposal to seek membership of the European Community, police said, Reuter reports from Helsinki.

The rally, which was organised by the Alternative to the EC movement, follows the lighting of bonfire beacons along main roads at the weekend by hundreds of farmers who fear the loss of big subsidies to the farming sector if Finland joins the Community.

Bonfire beacons are an ancient way of warning that an enemy was approaching, said a spokeswoman for the Central Union of Finnish Agricultural producers.

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Midwest applies litmus test

Jurek Martin in Chicago previews today's presidential primaries

THE Rust Belt, as the Midwest is often unkindly called, still matters in American politics for one very simple reason. Enough people live here to ensure that nobody is going to become president of the US without winning at least a share of these states in the November general election.

No strategy based exclusively on the south or the far west, or even the two combined, can have other than a faint hope of success.

For those seeking the Democratic party's nomination, especially for those from other parts of the country, the Midwest is the litmus test of political acceptability.

Governor Bill Clinton of Arkansas, former Massachusetts senator Paul Tsongas and former California governor Jerry Brown hail from the south, the north-east and the west respectively and all, having won at home, need to show they can score away. Here the audience does not view them as favourite sons. It wants to know more about them.

It is also often said that the Midwest is the microcosm of America's current problems. It contains ailing manufacturing industries, run-down inner cities plagued by drug addiction, ethnic and racial strife, overstretched hospitals and underfunded schools.

The reality may be better than the awful picture sometimes portrayed, but nobody is claiming that an economic and social Garden of Eden has been rediscovered on the shores of the Great Lakes.

So it is to Illinois and Michigan, which vote today, and to Ohio, Indiana and Wisconsin, with later primaries, that the three Democrat contenders come with hope – and trepidation. They can be made here as legitimate candidates, or they can be broken. To a much lesser extent the same applies to the two Republicans.

In reality, Illinois and especially Michigan must constitute Mr Patrick Buchanan's last real stand to regain, as he puts it, "the conservative heart and soul of the Republican Party" from the apostasy of President George Bush.

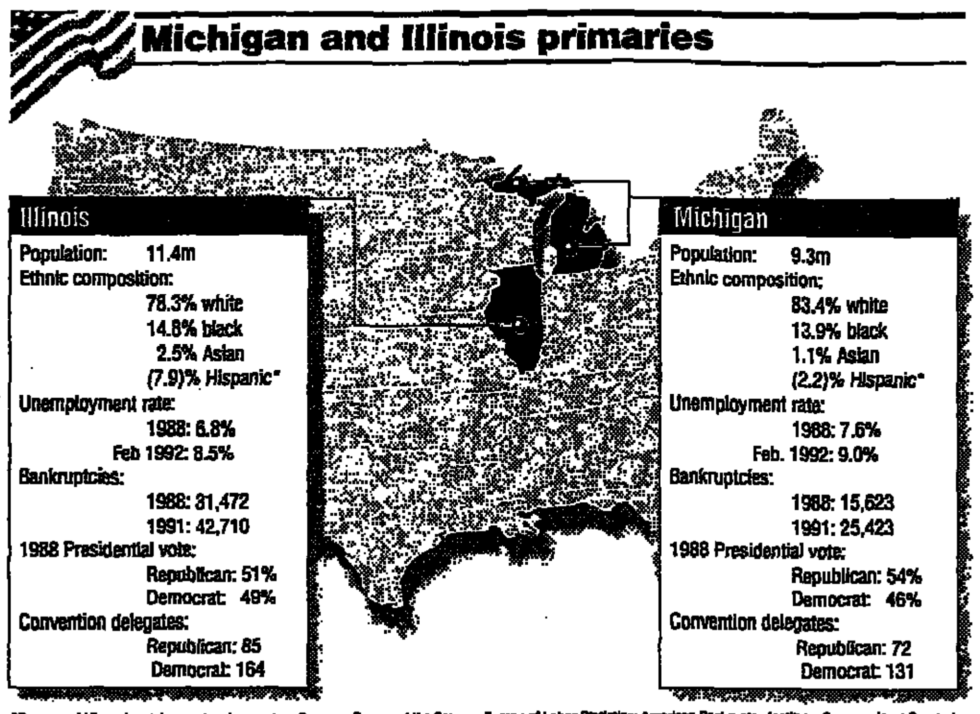
He could go on after losing badly here, even to California in June, but increasingly people will stop listening. In Chicago the anecdotal evidence is they already have.

The same risk attaches to Mr Tsongas on the Democratic side. There is a lot of admiration for the honesty and directness of the Tsongas message. At least he says the country must pay a price for its excesses.

But his relative lack of money and organisation seem to be underlining the more widespread perception among Democrats that a Greek from Massachusetts, who has already been hammered by Mr Clinton in the southern primaries, simply cannot win in November. If political organisation means anything, which it still does, though less than it used to, in these two states, Mr Tsongas cannot be sanguine about the outcome today.

This does not apply to Mr Brown for two reasons: he is better known and he can run on shoestring finances. Moreover, if there is inchoate rage out there about the system, which there is, then Mr Brown, inveighing against the establishment in all its forms, is actually the man who can tap it best. He has, after all, literally nothing to lose and, to the disaffected, he makes some kind of sense.

He can also wound and goad, as Mr Buchanan has President Bush. In the television debate on Sunday night here, he launched an extraordinary, vicious attack on Mr Clinton, waving a Washington Post in the air and claiming that the governor of Arkansas and his wife, a prominent lawyer in the state, had no sense of propriety.



*Persons of Hispanic origin may be of any race Sources: Bureau of the Census; Bureau of Labor Statistics; American Bankruptcy Institute; Congressional Quarterly

Mr Clinton was patently outraged, especially by the onslaught on his wife, and explained that, since he became governor, she had not shared in any of the partnership proceeds that her law firm, the oldest west of the Mississippi, had earned from its dealings with the state.

His defence was measured and perhaps the watching public, exhausted from a day of wall-to-wall college basketball play-offs, will have concluded Mr Brown overstepped the mark.

But the Brown point was to suggest yet again that for this, and other, reasons, it is Mr Clinton who is genuinely unelectable against Mr Bush.

And this is why Illinois and Michigan matter most of all to Mr Clinton, over and above the number of delegates he may win and the proof that can prosper in primaries outside the south. He has to inspire confidence in his party not only that his smoothly articulated policies make sense but also that he is not a fatally flawed personal vessel.

It is improbable in the extreme that Mr Brown will be seen as a viable alternative, and unlikely that Mr Tsongas will, regardless of how both do today. But anything less than a solid endorsement of the governor of Arkansas will encourage the growth of the ABC (anybody but Clinton) movement inside the Democratic party.

Jerry Brown puts his case to a Michigan Baptist congregation

Unions hold off endorsing candidate

By Geoffrey Dyer in Washington

MOST US unions have decided to stay uncommitted in today's Midwest Democratic primaries in Michigan and Illinois, despite intense lobbying from Mr Jerry Brown, former governor of California, for their endorsement.

Twelve labour organisations which had previously supported Mr Tom Harkin, the left-wing Iowa senator who pulled out of the race last Monday, met in Washington last week to consider whom to back.

But Mr William Byland, president of the International Union of Electronic Workers (UEW), said after the meeting that there was "no chance of us endorsing anyone" before today's primaries.

Some labour leaders are sympathetic towards Mr Brown, the only candidate to oppose the North American Free Trade Agreement (Nafta), which some unions feel could endanger US jobs by encouraging companies to shift their factories to Mexico.

However, Governor Bill Clinton of Arkansas has also won some union backing.

A new industrial resilience belies Rust Belt blues

IN CHICAGO recently, 9,000 people queued in a blizzard for hours to apply for 500 hotel jobs. Last month General Motors told 4,000 workers in Ypsilanti, Michigan that their plant, rather than one in Texas, would be closed. To many it feels as if the worst days of the Rust Belt are back.

It is not surprising, then, that the candidates in the presidential primaries this year have been tempted to play to the region's economic distress.

However, the story of the Midwest's economy is not in fact as bad as it is in the country as a whole.

The story of the Midwest's economy is not as bad as that of the country as a whole, writes Barbara Durr

The region has suffered less in this recession than it did in the early 1980s, said Mr David Allardice, assistant director of research at the Federal Reserve Bank of Chicago.

While the slowdown has recently begun to deepen in the Midwest, many regional analysts still say the region will pull through 1992 in better shape than the rest of the country.

In the past, the Midwest, as the industrial heartland, has tended to lag behind the nation in its economic downturn and then rebound more slowly. Analysts believe the Midwest may have fundamentally changed.

"The region has been restructuring and is in a better competitive position," said Mr Robert Schnorbus, manufacturing analyst at the Chicago Fed. This has included retooling through more capital expenditure, reduced workforces and higher productivity. Helped by a slimming of inventories over the past several months, the Midwest may well be able to bounce back more quickly than ever, he said.

While the General Motors' cuts, the demise of Midway Airlines and a long strike at Caterpillar have taken their toll on employment in Illinois and Michigan, the total number of jobs has edged up – 0.5 per cent between December and January – in the five-state area of Michigan, Indiana, Illinois, Iowa and Wisconsin.

One of the key boosts for the trimmer heartland since the start of the recession in July 1990 has been exports, in particular of capital goods. The region accounts for a large share of US capital goods production exports of which have been growing at about 10 per cent a year over the last two years, compared with total US export growth in 1991 of 7.6 per cent.

The export picture for this year has, however, been clouded by the economic slowdowns in Germany and Japan.

But, says Ms Diane Swonk, regional economist for First Chicago: "Trade won't fall apart like some people think." Ms Swonk believes that as long as the dollar stays relatively competitive, Mexico and other newly-industrialising countries will pick up some of the slack in exports. Capital goods demand from Canada, which alone accounts for between 40 and 50 per cent of the region's trade, would also pick up later this year, she said.

The real estate sector in the Midwest has not been the plague that it has in other regions, largely because commercial property was not excessively overbuilt – though the vacancy rate is rising in Chicago – and home values did not rise sharply as they did elsewhere.

One of the more marked differences between the region and the nation is in single-family homes. Between 1988 and 1991, single-family (detached) housing starts, an indicator of middle-class prosperity, remained almost unchanged in the Midwest while they dropped 22 per cent in the country as a whole. First Chicago expects them to rise 24 per cent in the Midwest this year.

Agriculture has recuperated from its trough in the mid-1980s and has been on a steady if unspectacular course. The US exports 20 per cent of its maize and half its wheat, the bulk of which come from the region.

Net cash farm income dropped 6 per cent last year and is expected to fall slightly again this year. But, overall, the farm sector has not had as serious a downturn as the rest of the economy.

Exports are expected to enjoy a slight increase this year, largely from more shipments of and higher prices for wheat.

Meanwhile the Midwest's old complaint that it has not won enough defence contracts has turned out to be a blessing. The wrenching shrinkage of the US defence industry will barely be felt in the region.

With respect to the Midwest's longer-term prospects, adjustment in the motor industry, some 60 per cent of which is concentrated in the region, and an increasing orientation to exports will be key, according to Mr Robert Dieli, regional economist for Northern Trust Company in Chicago.

INTERNATIONAL NEWS

Nikkei index dips to less than 20,000

World fund managers phlegmatic over fall

TECHNICAL analysts in London suggested that the Nikkei could fall another 5,000 points, after shares on the Tokyo stock exchange closed at their lowest level for five years yesterday and the Nikkei index of leading stocks dropped through the 20,000 barrier.

The Nikkei index lost 618.90 points to close at 19,837.16.

Fund managers around the world were however more phlegmatic. In London, Mr Patrick Thompson, a director of Fleming Investment Management, said that Fleming had hoped that the index could hold 20,000. "But on the day," he said, "domestic sentiment was completely shot."

Mr Thompson thinks that, under 20,000 on the Nikkei, and certainly at 19,000 or below, Japanese equities will start looking cheap by their own historic standards, and by reference to the domestic bond market.

By William Cochrane in London, Ian Rodger in Zurich and Karen Zagor in New York

However, he also thought that domestic buyers would need encouragement, in the shape of further interest rate cuts and a greater degree of fiscal stimulus than the economy has seen so far.

Mr Peter Widmer, director of Bank Julius Baer in Zurich responsible for international institutional asset management, did think the market could go lower: "The drop below 20,000 will obviously have a short-term impact," he said. "There could be a sell-off – perhaps 10 per cent – leading to buying opportunities."

Mr Widmer said Baer had about a third of the equity portion of its portfolios in the Tokyo market at its peak, but that now it had virtually nothing, expect for some lingering positions in Swiss franc convertibles.

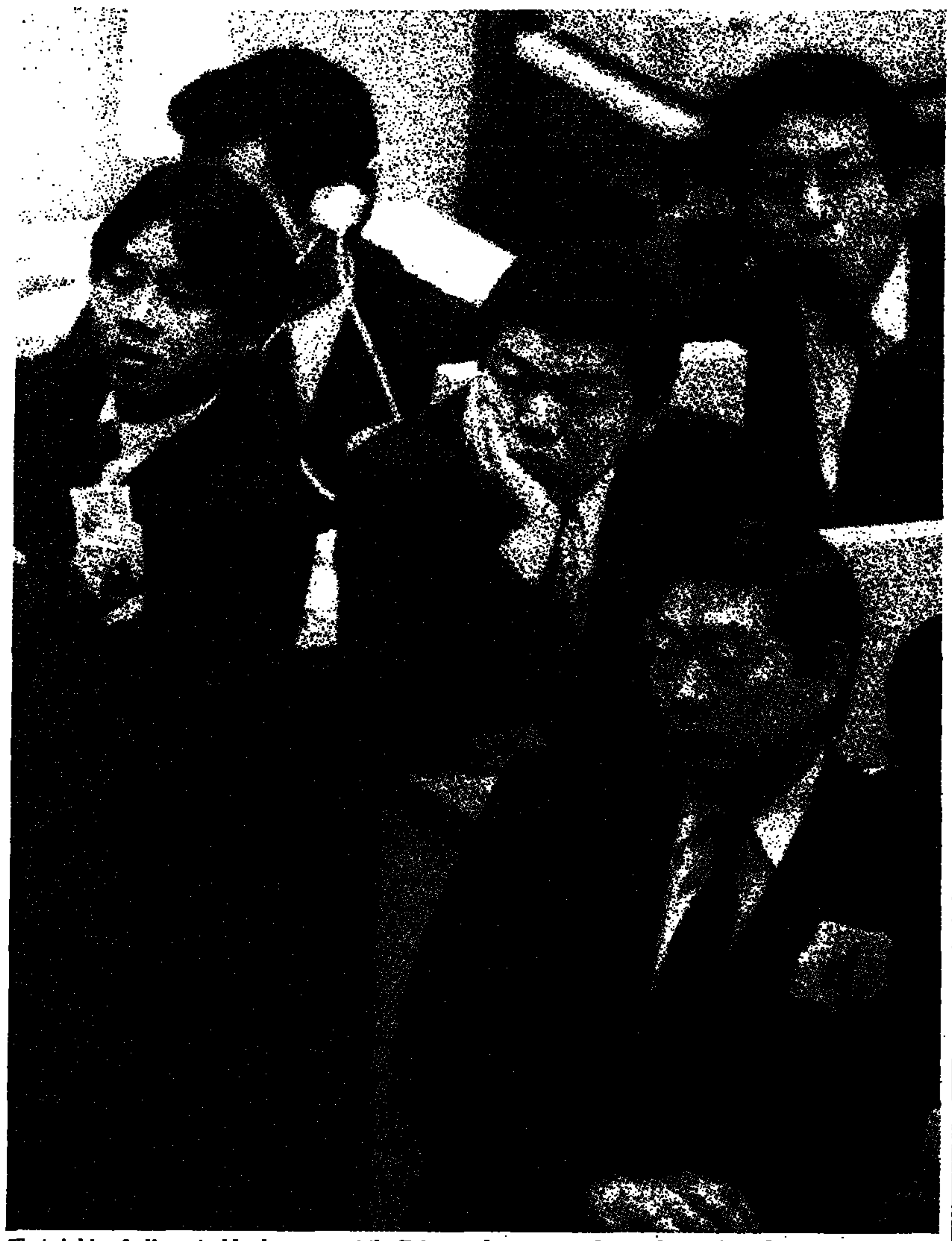
"A lot of stocks have dropped by 60 to 70 per cent so we are actively looking for jewels. Corporate results will be lousy, not only those announced in the next month or so, but also in September."

Fidelity Investments, the largest mutual fund company in the US, said that it, too, did not have much to worry about.

Mr John Hickling, who manages Fidelity's international growth and income fund, said: "I've been very dramatically underweight in Japan for some time.

"A lower stock market would make Japan more interesting to us, but right now it's a bit like catching a falling knife – sometimes it's safer to let it stick in the ground than to catch it in mid-air."

Looking ahead, Mr Hickling expects a little weakness in the Japanese market through March until funds start trading for settlement in April, when there should be some sort of a bounce.



That sinking feeling: stockbrokers gaze at the Tokyo exchange yesterday as share prices plunge

US chip company signs Japanese licensing deals

By Steven Butler in Tokyo

TEXAS Instruments (TI), the US semiconductor company, has signed cross-licensing agreements with two Japanese companies that recognise TI's claim to have invented the integrated circuit, a fundamental device in all modern electronic equipment.

The agreements, with Sharp and Ricoh, represent an important step for TI towards protecting hundreds of millions of dollars in patent rights in Japan. They are particularly significant because they are the first such agreements since a decision last summer by Fujitsu, the Japanese computer company, to dispute TI's claim in the Japanese courts.

It had been feared that other companies would hesitate to recognise the Texas Instruments patent until its dispute with Fujitsu had been resolved.

Texas Instruments said yesterday, however, that it was continuing to negotiate licensing agreements with at least ten other electronics companies, including Mitsubishi Electric, and that the negotiations appear to have been unaffected by the Fujitsu dispute.

Seven Japanese companies have now accepted the Texas Instruments patent claim, including Toshiba, Oki Electric, Matsushita, and NEC.

Texas Instruments first applied for a Japanese patent for the integrated circuit in 1960, but struggled until 1989 before the "Kilby" patent – named after a co-inventor of the integrated circuit, Mr Jack Kilby – was accepted by the Japan Patent Office.

Texas Instruments claims the patent covers fundamental technology that applies to all integrated circuits, while Fujitsu claims its own semiconductor devices do not use Texas Instruments technology.

Fujitsu last July sought a court determination that the Texas Instruments patent does not apply to Fujitsu products. Seven court hearings have been held to date, and final resolution is expected to take at least another year. Texas Instruments hopes that recognition of its patent by other Japanese companies will support its case.

Opposition member to quit party over scandal

By Robert Thomson in Tokyo

A SENIOR member of Japan's leading opposition party, the Social Democrats, has offered to leave the party after admitting he received funds from Tokyo Sagawa Kyubin, the transport company involved in a widening political scandal.

Mr Ryoichi Yasutsune insisted, however, that he would stay in parliament as a pro-opposition independent, despite the pleas of his party leaders that he should also resign as a member of the upper house.

The controversy over Mr Yasutsune's Sagawa Kyubin links has undermined the opposition's attempts to highlight government corruption as an issue in a forthcoming upper house election, and has eased pressure on Mr Kiichi Miyazawa, the prime minister, whose administration has also been shaken by scandal.

Mr Yasutsune admitted that he received a Y5m ($38,400) loan from a Tokyo Sagawa affiliate in 1989, but claims to have since repaid the money and denies allegations that his often sharp questioning of the company's affairs was blunted after he received the funds.

"Although I am innocent, I will leave the party for causing trouble," Mr Yasutsune said, after a meeting with party elders. He said that to leave parliament "would mean that I admit that I had done something wrong".

Last week, a left-wing member of the Social Democratic Party resigned after admitting that he had received political donations from a golf course developer under investigation for alleged links to drug imports.

Indians shift stance on N-weapons

By David Housego in New Delhi

THE Indian government yesterday confirmed an important shift in foreign policy when it told parliament that India would soon begin bilateral talks with the US on nuclear non-proliferation in South Asia.

The first round of talks are due to be held in New Delhi in May when a US delegation will explore the possibility of confidence building measures between India and Pakistan aimed at making South Asia – where both countries have a nuclear capability – a nuclear safe area. Possible measures could include mutual inspection of nuclear facilities and troop redeployments aimed at reducing border tensions.

A further sign of the new warmth of ties between India and the US was the confirmation by Mr Eduardo Faleiro, minister of state for external affairs, that the US and India would for the first time conduct joint naval exercises. The exercises reflect the collapse of India's Treaty of Friendship with the Soviet Union and the US's increasing coolness towards Pakistan – formerly its closest ally in the region.

The shift in policy, which emerged publicly during the talks that Mr J N Dixit, India's foreign secretary, held in Washington last week, provoked a parliamentary uproar here with the opposition charging that the government had caved in to US pressure.

The US has been pursuing non-proliferation in South Asia more vigorously since the disclosure of Iraq's nuclear capability and the threat that the Islamic republics within the former Soviet Union might also gain possession of nuclear weapons.

Mr Faleiro repeated to parliament that India would not sign the nuclear non-proliferation treaty – which India regards as discriminating in favour of existing nuclear powers, including China. He also put into cold storage the US proposal, backed by Pakistan, for a five nation conference on regional non-proliferation. Participants would have been included Russia and China – whom India regards now as having no role in this region.

India's counter-proposal for bilateral talks with the US on non-proliferation makes a big advance from the rigidity that has governed Indian nuclear policy for over a decade.

Israel ready to host arms probe

ISRAEL is willing to host a US fact-finding team and meet any other US requests to disprove allegations it may have illegally shared US arms technology with China, Mr Moshe Arens, the Israeli defence minister, said yesterday, Reuter reports from Washington.

Mr Arens, speaking to reporters at the Pentagon after meeting Mr Dick Cheney, the US defence secretary, said the allegations, which Israel has strongly denied, were a "serious matter".

"We'll be looking at ways of making sure that the US can verify" that Israel, contrary to US intelligence, never shared US-made Patriot missile technology with China, Mr Arens said. "Because that is the case."

Iran assails Turkey over arms grab

By Michael Field in Tehran and agencies

IRAN has bitterly attacked Turkey after a state security court in Istanbul confiscated a ship carrying a cargo of arms on its way to an Iranian port.

The 2,700 tonne Cypriot-registered Cape Maleas was stopped in the Bosphorus last October soon after it had left a Bulgarian port carrying anti-aircraft guns, rocket launchers and ammunition.

The Turkish court said the vessel was "shipping arms and ammunition in an organised manner" and was thus in contravention of an international treaty which requires all arms shipments through the Black Sea and Aegean to be notified to the Turkish authorities.

Iran gave no such notification, claiming that the the Bosphorus counted as international waters.

Iran had hoped that after the ship was seized its release would be assured both by diplomatic efforts and through the good relations enjoyed by President Ali Hashemi Rafsanjani and Mr Turgut Ozal, his Turkish counterpart, who is associated with an Islamic constituency in Turkish politics.

However, the state security court yesterday handed the freighter over to the Turkish armed forces. Although the 24-man crew was freed late last year, the court sentenced its captain to five years in prison.

Iranian officials do not accept that a Turkish court can be politically independent and say they believe Mr Suleiman Demirel, the prime minister, and ultimately the US, are behind the decision.

In an editorial at the weekend, the Tehran Times, known to reflect the views of Mr Rafsanjani, said the decision seemed to "favour the American strategy of starting a cold war tension between Iran and Turkey".

The report went on to condemn what it described as the "widespread corruption and practice of bribery in the Turkish bureaucracy", accusing the highest levels of the Turkish government of corruption.

Even allowing for the fact that the Iranian government's rhetoric is more colourful than its actions, these attacks in the Iranian press show that the government is deeply upset.

Ayatollah Musavi Tabrizi, the Iranian prosecutor general, on Sunday cancelled a meeting with the Turkish ambassador and called the confiscation "obscene and illegal".

Turkish officials, meanwhile, have claimed that Iran is backing an organisation called Turkish Hizbollah which they claim is active in south-eastern Turkey and aims to overthrow the Ankara government.

The Iranian foreign ministry has replied that the forging of such charges are "the common practice of Turkey's propaganda machinery".

Tokyo acts to halt rise in illegal Iranian immigrants

By Steven Butler in Tokyo

JAPAN has moved to stem illegal immigration by agreeing with Iran to suspend a bilateral visa-exemption treaty that has been operating since 1974.

Under the treaty, Iranian tourists were permitted to visit Japan without a visa. However, an increasing number of Iranians have been entering Japan as tourists and staying in the country illegally to work. Demand for foreign labour in Japan is high in the service and construction industries.

The foreign ministry said that Iranians entering Japan had nearly trebled from 1989 to 1991, with 44,376 Iranians entering the country in the first 11 months of the year. At the same time, Japanese immigration officials were refusing entry to an increasing number of Iranians who arrived in the country. This came to 6,631 in the first 11 months of 1991, compared to 1,571 in all of 1990.

In December, Iran refused entry to Japanese in Tehran in retaliation for Japan's deportation of illegal Iranian workers.

The visa-exemption treaty is a relic of Japan's attempts to promote close relations with the oil exporting nations of the Middle East. The Foreign Ministry said yesterday, however, that the agreement to suspend the treaty would not affect other aspects of the bilateral relationship.

Iraq and UN prepare for oil sale talks

IRAQ and the United Nations are expected to resume talks later this week on the possible sale of $1.6bn worth of Iraqi oil but no definite date has yet been set, a UN spokesman said yesterday, Reuter reports from New York.

The spokesman also announced that the UN team would be led by Mr Giandomenico Picco, the assistant secretary-general who led efforts to secure the release of hostages held in Lebanon.

Mr Picco, an Italian national, will replace Mr Kofi Annan of Ghana, the assistant secretary-general who headed UN negotiators at previous talks with Iraq in Vienna in January but has since been assigned other duties.

The UN announced last Friday that the oil talks would resume this week, but gave no precise date.

The announcement followed a meeting between Mr Boutros Boutros Ghali, the UN secretary-general, and Mr Tariq Aziz, Iraq's deputy prime minister, who had been taking part in a Security Council debate last week on Iraq's alleged failure to comply with council resolutions requiring the scrapping of its weapons of mass destruction.

Iraqi sources in Baghdad said earlier yesterday the Vienna talks might begin next week rather than this week, since Mr Aziz had not yet returned home and reported to his government.

Iraq is bound by UN economic sanctions imposed after its invasion of Kuwait in August 1990.

The Security Council last September authorised the sale of $1.6bn of oil over a six-month period to enable Baghdad to buy nearly $1bn worth of humanitarian supplies, to begin feeding a UN Gulf war reparations fund, and to pay for the destruction under UN supervision of Iraq's weapons potential. Baghdad has so far rejected the plan on grounds it would be of limited benefit while violating the country's sovereignty.

Some council members have expressed readiness to renew the oil sales scheme in some form, after it expires on March 18, but may first wish to await the outcome of the next round of talks in Vienna.

WORLD PHARMACEUTICAL CONFERENCE

More concentration in drugs industry seen as inevitable

By Paul Abrahams

FURTHER concentration of the world's pharmaceutical industry is inevitable, according to Professor Horst Meyer, head of pharmaceuticals at Bayer, the German chemicals group.

The need for substantial investment in research and development required to discover "block-buster" drugs with sales of more than $500m a year was beyond the means of all but the largest companies, he explained yesterday at the Financial Times World Pharmaceuticals Conference in London.

The top ten companies were spending 35 per cent of all money dedicated to pharmaceutical research and development and the proportion was likely to increase, he said.

In addition, smaller companies were handicapped by their inability to market drugs in the the three largest markets – the US, Europe and Japan. The top pharmaceutical groups were able to recover their ever-larger investments by selling the drugs in all three areas, added Professor Meyer.

However, Mr Bernard Taylor, executive chairman of Medeva, the small UK pharmaceuticals group, said companies with sales of less than £1bn a year only lacked critical mass if they had ambitions to invest substantial amounts in research and development.

Mr Taylor said there was plenty of room for small and medium-sized companies willing to market products whose sales were too low for the larger groups. The smaller companies could invest in higher-margin products such as vaccines where the barriers to entry remained high.

Alternative products available to such groups included drugs with complicated delivery systems which were difficult to copy and pharmaceuticals whose formulations could be enhanced with minimum additional investment, he said.

Mr William Parfet, president of The Upjohn Company, the US healthcare company, said winning groups would have to form effective strategic alliances for access to essential technologies or to broaden their geographic cover.

According to Dr Hakan Mogren, president and chief executive at Astra, the Swedish company, pharmaceuticals groups would also have to concentrate their research efforts in a limited number of fields if they wanted to be successful.

UK shipyard to build two Oman warships

By David White, Defence Correspondent

BRITAIN'S Vosper Thornycroft shipyard has been told to go ahead with construction of two missile-carrying corvettes for Oman, in the first significant foreign order for British warships for more than three years.

The deal, confirmed at the weekend after months of negotiation, is worth more than £150m including support.

Details of the planned armament for the ships, due to be build over the next four years, are being kept secret.

The 83-metre corvettes represent the UK's biggest naval export order since Vosper Thornycroft received the go-ahead from Saudi Arabia in 1988 to build the first three in a planned series of minehunters.

Mr Chris Girling, the group's finance director, said the Oman order would not affect plans already under way for 350 redundancies at the yard. But he said it would assist Vosper Thornycroft's competitiveness in other export markets by enabling it to resume steel shipbuilding work in addition to vessels made of glass-reinforced plastic.

In 1989, the Southampton-based shipbuilder was set to build three corvettes of the same type for Brunei. But the Brunei government subsequently decided to re-open the contract to international competition and has yet to invite fresh bids.

Foreign investment in Taiwan falls 61%

By Luisetta Mudie in Taipei

FOREIGN investment in Taiwan's industries fell 61 per cent to US$132m in the first two months of the year from the same period last year, while Taiwanese investment abroad dropped by 66 per cent to $229m.

Japan was once more the biggest investor, according to figures published yesterday by the Ministry of Economic Affairs. More than $56m of funds for investment into Taiwanese industry were approved in January and February. The second largest was Europe, with $25m.

Rising operating costs on the island have taken their toll on inward investment, and the world recession has affected both inward and outward investment, according to economists.

Foreign investment interest centred on trade and the electronics industry. However, foreign investment in electronics fell nearly 80 per cent from last February, and investment in the plastics sector increased more than 10-fold.

Analysts say, however, that these statistics are based on applications approved, not on funds actually entering the country, and that duplicate applications by foreign companies in several countries in the region can lead to over-estimation of foreign investment.

Although Taiwanese investment abroad decreased overall, funds approved for investment in the US were up by nearly 40 per cent on the same period last year, to $44m, 19 per cent of all outward investment approved from January to February.

Officials say the outward investment figures measure only investments made through official channels. Many companies making smaller investments overseas often do so without registering with the government.

Taiwanese investment in China is increasing, bringing with it the fear of over-dependence on mainland markets. Taiwanese companies invested $1.5bn in Fukien province alone in 1991, and $15.6m in southern China in January and February, $11m of which was in metals, electronics and plastics.

Singapore opposes Asean move over Burma

By Kieran Cooke in Singapore

SINGAPORE'S prime minister, Mr Goh Chok Tong, has ruled out any unified initiative by the Association of South East Asian Nations on Burma for that country's widespread repression of its Moslem minority.

In an interview with the Financial Times, Mr Goh said developments in Burma could have a destabilising effect on the region but it was not Asean's style to seek a common position on a particular political problem.

Several countries in Asean, which groups Singapore, Thailand, Malaysia, the Philippines, Indonesia and Brunei, have expressed concern about Burma's handling of its Moslem minority and the fate of thousands of Burmese Moslems who have recently crossed the border into Bangladesh.

Thailand has put air force units on alert and reinforced troops on the border with Burma following incursions into Thai territory by Burmese soldiers pursuing Karen guerrillas, Victor Mallet reports from Bangkok. Border skirmishes have been particularly intense in the last few days as the Burmese military tries to overrun Karen strongholds before the rainy season. Thai officers have rejected demands from their Burmese counterparts to withdraw from the area, and the military-installed government in Bangkok, which enjoys good relations with Burma, has shown no public sign of concern. Further north, the Burmese army's capture of Sleeping Dog Hill at the weekend could lead to the capture of the nearby Karen headquarters at Manerplaw.

Mr Goh said each of these protests had been delivered individually. There was no common approach within Asean to Burma.

Asked about the considerable arms build-up in south-east Asia recently, he said this was not a response to US withdrawal from the area. "Countries in this region always have believed in what is called national resilience," said Mr Goh. "They must have the capacity to defend themselves."

Singapore has one of the best equipped military machines in south-east Asia and spends more on defence per capita than any other country in the region. "I always imagine Singapore as a very small state that any adventurer can grab with one hand. If you want to prevent that happening you've got to take defence seriously," he said.

On domestic politics, Mr Goh said he would continue to try to offer Singaporeans more choices and a less regulated society. "We are trying to widen the fairways," he said.

He was opposed to Singapore importing any more foreign workers to try to alleviate Singapore's serious labour shortage. The government says there are about 150,000 foreign workers in Singapore, but unofficial estimates put the figure at nearly double that. Most of them come from the Philippines, Indonesia and Sri Lanka.

INTERNATIONAL NEWS

Portuguese slowdown worse than expected

By Patrick Blum in Lisbon

PORTUGUESE economic growth was smaller than expected last year, with investment and industrial activity showing clear signs of slowing down, according to Portugal's National Statistics Institute (INE).

The INE figures were published at the weekend in Semanario Economico, the leading economic and business weekly newspaper, which will publish a full report on the economy later this month.

The figures suggest that gross domestic product grew by only 2 per cent in 1991, compared with previous official estimates of 2.7 per cent. The new figure is markedly lower than the 4.2 per cent growth achieved in 1990, and while it remains above an estimated 1.3 per cent average growth for the European Community last year, the extent of the slowdown is more pronounced than had been thought.

There was a smaller than expected rise, of about 2 per cent in real terms, in investment, down from a rise of 7.3 per cent in 1990, while the use of industrial capacity is calculated to have declined by between 2 and 3 percentage points.

According to INE, exports grew by only 1 per cent, while imports rose by 6.4 per cent with a strong increase in consumer goods imports.

These latest figures underline Portugal's difficulties in maintaining a high growth rate when its most important trading partners are in recession. They will worry the authorities, whose aim is to maintain growth well above the Community average while sharply cutting inflation – which was 11.4 per cent last year – in an effort to bridge the gap between Portugal and its richer EC partners.

Central bank officials said at the weekend they were maintaining their estimate of 2.7 per cent growth for last year, though other economists suggested growth could turn out to have been even lower than the 2 per cent envisaged by INE.

Norway weighs cost of arms

By Karen Fossli in Oslo

NORWAY'S Defence Commission yesterday unveiled a far-reaching study, based on two-years' work, advocating zero growth in military expenditure over the next 15 years.

The commission's recommendation for military spending is 13 per cent lower than that made last Friday by Admiral Torolf Rein, the Chief of Defence. It was based on an absolute minimum requirement enabling Norway to defend itself against an invasion for between two and four weeks while awaiting allied reinforcements.

The difference in expenditure between the two recommendations is about NKr50bn ($7.8bn) from 1993, excluding Nato infrastructure costs. But the commission's recommendation is based on its study of the perception of future military threat to Norway and what is necessary for the country to maintain a credible defence structure.

The commission's study calls for investment of NKr356.26bn in the period 1993-2008 while Admiral Rein recommends expenditure of NKr421bn during 1993-2012.

Mr Kaare Willoch, the former conservative prime minister who headed the Commission, said 14 out of 15 members agreed investment in military hardware should comprise 30 per cent of investment during the next decade. The commission therefore sees a marked shift in military investment from personnel and administration to hardware for the air-force and navy.

The two studies will be used as working documents by the Ministry of Defence to plan long-term defence investment.

More staff vital, say German customs

By Christopher Parkes in Bonn

GERMAN customs officers yesterday demanded more staff to round up "cattle by the herd and cigarettes by the tonne" smuggled yearly across the frontiers with Poland and Czechoslovakia.

The European Community would become "a playground for international bandits" if border security to the east and the south were not tightened, Mr Richard Müller, chairman of the BDZ customs officials association, said yesterday.

The Polish border was a particular problem in the east, but there was also a "security deficit" in the south, where Spain and Portugal were unable to police their external borders effectively.

He was astonished that in laying plans for internal police co-operation through Europol, member states had excluded customs authorities.

Mr Müller said his members were currently seizing about 20m cigarettes a month, and estimated that the volume of smuggling was closer to 100m.

Experience had shown that gangs involved in tobacco smuggling typically graduated to running hard drugs once their networks were established.

Seizures of heroin, shipped into Germany from the Middle East via the Balkans rose 90 per cent last year and the number of drug-related deaths in the country exceeded 2,000.

Nationalists gain in Catalan elections

NATIONALISTS made significant gains in Sunday's elections to Catalonia's autonomous parliament, which returned Mr Jordi Pujol to power for a fourth successive mandate with an increased majority, writes Tom Burns from Madrid.

Mr Pujol's centre-right Convergencia i Unio (CiU) coalition gained 71 seats in the 135-member Catalan parliament, two more than in the 1988 elections.

Meanwhile, Esquerra Republicana de Catalunya (ERC), a party that for the first time was openly calling on voters to back independence for Catalonia, doubled its share of the vote to 8 per cent and raised its membership in the assembly from six to 11.

The Socialist party was the chief casualty of the poll, with the loss of three seats and returning of 39 members its worst result to date in the Catalan legislature. The ebbing support for the local socialists could indicate a growing disillusionment with the Madrid government – where the socialists hold sway – in the wake of a succession of corruption scandals.

The Communist party, formerly the third force in Catalonia, lost two of the nine seats it held four years ago, while the Madrid-based conservative party, Partido Popular, won seven seats, one more than in 1988, *and the small* liberal party, Centro Democratico y Social (CDS), which had three members in the outgoing parliament, failed to return a single member.

The polls highlighted the growth of nationalism in Catalonia with the locally based parties, CiU and ERC, obtaining 61 per cent of the vote between them, up from 55 per cent in 1988's regional polls.

Mr Pujol now emerges a powerbroker in national politics, with general elections due next year likely to rob the Socialists of their present slim majority and elect a hung parliament. The CiU returns between 18 and 20 members to the Madrid parliament in general elections.

France divided on Arab links

Francis Ghiles on the reformulation of a 'ball and chain' relationship

FRANCE has appeared much more sympathetic to the engineers of the coup which two months ago interrupted Algeria's first multi-party elections since the recent visit to Paris of Mr Lakhdar Brahimi, the Algerian foreign minister.

It has underlined this support by increasing a revolving line of credit, granted in 1990, from FFr3bn (£300m) to FFr4bn. However, such gestures cannot conceal the very contradictory reactions of the French political establishment to events in Algeria.

This confusion stands in contrast to the reactions of some leading French industrialists and of the former prime minister Raymond Barre.

Mr Barre believes that France should consider a bold gesture, such as deferring payments on Algeria's FFr85bn French state guaranteed debt for two years. This would give the country breathing space at a time when a 74 per cent debt service ratio is throttling its economy.

According to Mr Barre: "We [France] could play an active role, together with the Japanese, who are Algeria's second largest creditor, and the IMF to help the Algerians implement the economic reforms aimed at liberalising the economy and creating jobs which they have already set in motion."

However, France's leaders are facing the most serious domestic crisis in a decade and President François Mitterrand appears disinterested in foreign affairs beyond Europe.

The authorities are further hamstrung by the growing popularity, in the run up to next Sunday's regional elections, of the extreme right-wing National Front led by Mr Jean Marie Le Pen, who was an active fighter for the "Algérie Française" 30 years ago and makes no secret of his anti-Arab feelings.

The illusion that France still had an "independent" Arab policy was shattered by the war which followed Iraq's invasion of Kuwait 18 months ago. Recent events in Algeria have underlined how important it is for France to reformulate what can only be described as the "ball and chain" relationship it maintains with its former African colonies.

Nowhere is that need more urgent than with regard to Algeria – yet with no country is it more difficult. A love-hate relationship, born of a 132-year history, encompassing a cruel war of independence which toppled the French Fourth Republic in 1958, makes it difficult for the French to treat Algerian issues on their merits.

It was Mr Mitterrand, then Minister of the Interior, who ordered that the Algerian "rebellion" of November 1954, be ruthlessly suppressed. Many of his ministers were among the 2.5m French officers and conscripts sent out to fight a war to "maintain order".

French officials and businessmen are, however, split into two camps. Some evoke the rank France holds in the world in words which sound like Gaullism writ small. They strongly resent what they feel is the intrusion of Italy, Spain, Japan and the US into their former colonies.

Others are convinced that now is the time, with Algeria in desperate need of support, that France should be lending a helping hand.

Leading French companies such as Total and Peugeot are convinced that the stability of Algeria, one of the few middle-ranking third world countries where French attitudes might influence other leading western players, is vital to French strategic interests.

For the other camp, the French ambassador to Algiers, Mr Jean Audibert, four months ago publicly dismissed Italy's decision to refinance its state-guaranteed debt with Algeria as akin to a "diplomacy of trinkets". Italy's action enabled Algeria's policy of refinancing its $23.9bn foreign debt rather than rescheduling it to get off the ground. Mr Audibert's views reflect that of an older generation in France, some of them former colonial administrators, who appear to regret the days when France ruled the roost.

A younger generation of officials and France's larger and more successful companies have no such worries. They recognise that France must work with Italy and Spain to promote Mediterranean interests in the EC as Germany will fight for the east European countries. They feel that North Africa is as important to southern Europe as Mexico is to the US. They know that Algeria has not been an easy customer, but are convinced that if France succeeds in formulating a more focused regional approach, it will avoid the kind of sudden crisis it is all too prone to in its relations, notably with Morocco and Algeria.

The so-called Five plus Five meetings, which bring together south European and north African countries, were launched a few years ago, at France's initiative, but it is only recently that other European participants have begun to see a French desire to break with the past.

French businessmen are mindful of Algeria's vast reserves of natural gas, and the fact that, if economic reforms meet with even partial success, the Algerian market in cars, pharmaceuticals and foodstuffs is well worth fighting for. Nor are they unaware of the presence in France of at least 1.5m north African immigrants and of the strong pressure to emigrate from a country where unemployment among the 16-24 age group is running at 48 per cent.

They accept that deferring some of Algeria's debt payments will not be cheap but suspect it might be a lot less expensive than the fall-out which economic breakdown in North Africa's largest country would produce.

Moving centre-stage: Raymond Barre believes France should play an active role in helping Algeria reform

UK NEWS

More trials planned on Blue Arrow

By John Mason

BRITAIN'S Serious Fraud Office (SFO) is intending to mount two further trials against the four remaining defendants in the Blue Arrow scandal, it emerged yesterday.

In spite of the mixed result of the first trial, the SFO will proceed against four individuals still charged with conspiracy to defraud the markets over the result of the 1987 Blue Arrow rights issue.

In the first trial, lasting more than a year, three former executives with County NatWest, the merchant banking subsidiary of National Westminster Bank, and a former director of UBS Phillips & Drew Securities were convicted of conspiracy to defraud. The case arose from the handling by County NatWest and UBS P&D of the £837m rights issue to fund the takeover of Manpower, the US employment group.

At a court hearing to be held on April 6, the SFO will ask the judge, Mr Justice McKinnon, to split subsequent proceedings and hold two trials.

If the judge agrees, the first trial will be against Mr Paul Smallwood and Mr Timothy Brown. Both were equity sales directors for UBS Phillips & Drew Securities and were present at the meeting on September 28, 1987 when the advisers to the issue agreed to buy secret holdings in Blue Arrow.

The second trial would be against Mr Charles Villiers, the former chairman of County NatWest, and Ms Elizabeth Brimelow, the merchant bank's former compliance director.

Although both are still charged with conspiracy to defraud, some close to the trial believe the charges could be altered following the outcome of the first trial.

Labour MPs claim government and intelligence service knew of Iraqi arms contracts

Parliament 'misled' over supergun

By Neil Buckley

BRITISH intelligence was yesterday accused of misleading Parliament over the Iraqi "supergun" by members of a House of Commons committee investigating the affair.

Mr Gordon Brown, Labour's trade and industry spokesman, accused the government of an "attempted whitewash" before the general election and pledged to launch an independent inquiry into the affair if Labour wins.

"It is now clear that the British government knew of plans for a supergun long before the official admission in April 1990," he said. "I want to know from the prime minister who knew what and when, and which ministers were involved."

Although the select committee on trade and industry committee stopped short of censuring the security services, the report following their two-year investigation into the saga blamed inadequate procedures and misjudgements by government officials, rather than ministers or the intelligence services, for failing to prevent the manufacture and export of components by British companies for the supergun.

The affair surrounds Saddam Hussein's "Project Babylon" aimed to produce several giant guns capable of threatening the whole of the Persian Gulf - and Israel - with nuclear or chemical warheads. Three UK companies were involved directly or indirectly, in supplying components.

The affair first came to light in April 1990 when customs officers, acting on an intelligence tip off, impounded a consignment of steel tubes at Teesport, north east England. A further supergun component, a breech block, was impounded at Patras, Greece.

In yesterday's report the Ministry of Defence and the Department of Trade and Industry (DTI) are censured for taking decisions on the basis of telephone conversations with no written record, and without reference to management and ministers.

"Knowledge within the government of the project was like a number of people all holding pieces of a jigsaw without realising that they were the pieces of the same jigsaw," the report concludes.

It also criticises the DTI for not requesting more documents when Sheffield Forgemasters and Walter Somers, the British companies which made barrel sections for the project, applied for export licences in summer 1988; for failure to link the two orders; and for failing to check its records which contained information about the Iraqi project circulated to government departments in late 1989.

In spite of allegations during the committee's hearings that British intelligence was kept fully briefed about the project by the supergun's designer Dr Gerald Bull, an amendment specifically censuring the security services was not included in the report.

It does, however, conclude that "the long-range gun affair raises serious and important questions about the accountability of the intelligence services both to ministers and to parliament."

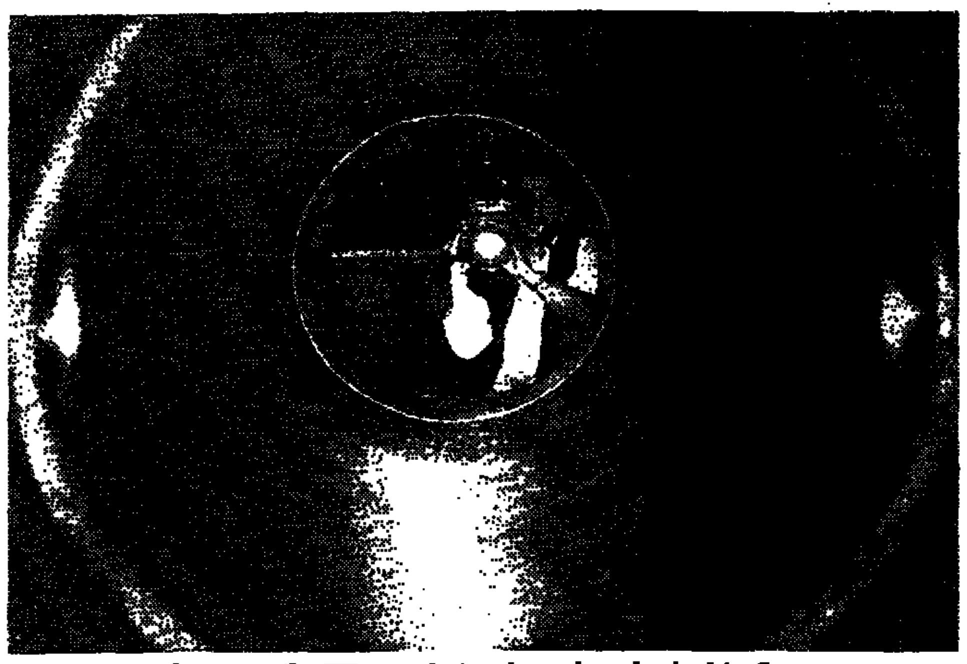
At a sometimes stormy new conference yesterday several MPs publicly differed with the report's conclusions.

Mr Doug Hoyle, the Labour MP, said he found it "almost impossible to imagine" that British and other foreign intelligence services were not aware of the project from its inception.

Mr Jim Cousins, another Labour MP, said he was in "absolutely no doubt that parliament was deceived about this matter.

"Either the intelligence services knew about this from the beginning or they are grossly incompetent and ought to be sacked."

Mr Cousins also said he found "contemptible" what he described as attempts to destroy the credibility of some key witnesses at the hearings, and had been concerned to note that several of the witnesses who gave evidence appeared to be frightened to do so.



A cameraman fouses on the UK-manufactured gun barrel seized in Greece

BRITAIN IN BRIEF

Press wins TV and radio listings case

The UK newspaper and magazine industry has emerged as the winners of the year-long legal contest with the BBC and the country's commercial stations over the cost of printing programme schedules for television and radio.

The Copyright Tribunal set a scale of charges for printing the so-called listings which fell well short of those demanded by broadcasters.

Under the settlement, BBC Enterprises and Independent Television Publishers will now receive a maximum of £800,000 a year each for allowing their listings to be printed in the national and regional press. The BBC estimate it would have received about £4m a year if the tribunal had ruled it favour if its proposed rates.

Oil workers in safety call

Offshore oil workers have met representatives from Shell to discuss the helicopter crash on Saturday night which killed 11 people, amid calls for tougher safety regulations on North Sea helicopters.

"Some very serious questions have to be asked about search and rescue cover offshore," said Mr Ronnie MacDonald, who chairs the Offshore Industry Liaison Committee, a union representing oil workers.

Search teams, meanwhile, recovered the bodies of the remaining five oil workers and the wreckage of the helicopter.

Swedish group offered grant

SCA, the Swedish paper making company, is to be offered a grant of £20m by the Department of Trade to encourage it to invest £260m in a newspaper recycling plant at Aylesford, south east England.

Mr Peter Lilley, trade and industry secretary, told the House of Commons that the grant, made under the assistance for exceptional projects facility, was subject to approval by the European Commission.

Cement workers vote for strike

The four unions representing craft and process workers at Blue Circle cement have won a mandate for limited strike action from their members in response to the company's attempt to introduce a 12 month pay freeze for 1992.

Workers in the AEU engineering union, the GMB general union, the EETPU electricians union and the TGWU general union have voted by a large majority to support an initial seven day strike.

Health trust seeks pay deal

A Community health trust in western England expects to agree Britain's first locally negotiated deal on pay and conditions, signalling a move away from the national Whitley Council agreements for health workers.

West Dorset Community Trust said it was negotiating a local "reward package" with trade unions representing its 1,200 hospital and community services staff. This would be applicable to all staff, with the exception of doctors.

Consumers criticise bank

Abbey National, the retail banking group, came under fire from consumer groups after deciding not to issue its own code of banking practice for customers.

Yesterday was the last day for banks and building societies to declare whether or not they have accepted a draft code of banking practice agreed last year by banks, building societies, and consumers' groups.

Unlike the other big high street banks which have all produced their own special codes of service for their customers, Abbey National says that it will simply place copies of "Good Banking" in its branches for those customers who ask for them.

Mr Guy Dehn, legal officer at the National Consumer Council said he was disappointed by Abbey National's decision.

Ferry service may be rescued

Unity Trust, the trade union backed trust, is to consider the final business plan of 162 redundant seafarers who want to relaunch a Folkstone–Boulogne ferry service.

The men were among the 570 people who lost their jobs last year when Sealink Stena Line closed its Folkstone to Boulogne route.

They are being advised by the Esops Centre, the information and lobbying group set up to promote employee share ownership plans.

Mr Malcolm Hurleston, chairman of Esops, said Unity Trust was being approached as a lender not an equity partner and might arrange lending subject to the basic viability of the project.

Home loan plan launched

Britannia, the ninth largest UK building society, has launched the first stage of a £30m mortgage rescue scheme in partnership with Circle Thirty Three Housing Group in East Anglia.

The scheme is part of a £1bn package pledged by mortgage lenders after talks with the government just before Christmas about ways of reducing the number of homes repossessed this year.

Accountants to cut jobs

KPMG Peat Marwick, the UK's second largest accountancy firm by fee income, is cutting up to 250 jobs across the country. A total of 200-250 qualified accounting staff from the firm's audit division are to be told to leave later this week, although the figures do not include any partners.

The losses will come from all regions, but the majority are concentrated in the south east and the Midlands. They come on top of similar job losses at this time last year.

BT sets up new helpline

BT, the telecommunications group, is to spend £650,000 project to set up a computer helpline in the Scottish Highlands for staff across the country. It is aimed partly at demonstrating that the remote Highlands of Scotland are a viable location for telecommunication-based operations.

Universities win approval

A new generation of universities has been launched after 14 polytechnics were given approval to become universities by the Privy Council office under the government's higher education reforms, which allows polytechnics to call themselves universities.

UK NEWS

ELECTION 1992

Smith kills charge of concealed tax agenda

By Ivo Dawnay, Political Correspondent

AN election-winning Budget it was probably not. There was too much detailed talk of complex, voter-unfriendly concepts such as thresholds and National Insurance for that.

But nor can Labour's unprecedented shadow budget extravaganza be written off as a merely defensive public relations gesture. As one of the party's senior number-crunchers put it: "We have been playing a lengthy game of poker – as far as I am concerned, we have won."

That, too, is premature. Only on April 9 will the game be formally judged. In the meantime, just as a real budget demands a decent interval before the initial verdicts become clear, so must that unveiled yesterday by Mr John Smith.

But as the economists pour over the figures, some political conclusions can be drawn immediately.

First and, arguably, foremost, the shadow chancellor's detailed presentation kills dead the charge that Labour has been concealing a confidential folder of tax horrors from the electorate.

Asked directly by the Financial Times yesterday whether he had further proposals under his desk, Mr Smith swallowed, then gave his pledge that there was no more to come, at least, in his first Budget.

The Conservatives' claims that there is a buried "Tax Bombshell" – an average of £1,000 per head was the politically powerful charge in January – has effectively been defused, however much it may still be repeated in the election campaign.

Furthermore, Mr Smith's calculation that somewhere between 80 to 90 per cent of taxpayers will either be beneficiaries or unaffected will be a statistic deployed time and again by Labour canvassers.

If Mr Smith's figures are right, their revenue-raising impact will give a Labour government a total of £5.4bn to play with up until the end of its first full year in government – that is until April 1994.

This not only provides the funds for Labour's £1.1bn recovery programme. It makes way for the party's plans to allocate £1bn for the National Health Service and £600m for education, with plenty to spare for other schemes.

Mouths of Tory attacks along the lines of "there they go again, spending money they haven't got" should, in theory at least, now fall.

Above all, Mr Smith's fully-patented remedy for Britain's ills at least appear to address the parts Labour policies are intended to reach. Its strongly redistributive underlying theme will go down extremely well in all quarters of the party from right to left.

Whether, however, the Budget will also "sell" Labour to the country's crucial floating voters remains the huge and, until the opinion pollsters do their work, wholly unanswered question.

The political calculations behind the Budget-making exercise were based on two essential objectives. Labour was well aware that the tax and spending issues would form the focus of the Tories' negative campaigning.

The findings of private polling revealed the powerful impact of Tory Central Office's January tax offensive on what one Labour official described as Basildon man. "We discovered that a group of people earning between £12,000 and £16,000 a year who had nothing to fear at all from us, believed what the Tories were saying about 'Labour's Tax Bombshell'. We had to deal with that."

Mr Smith also dealt with fierce hostility – particularly from the recently redundant – to his plans to apply a 9 per cent National Insurance levy to unearned income over £3,000. On the advice of his postbag, he dropped it.

But none of this frees Labour from Tory charges that it is essentially hostile to the better off. Many not-so-rich Basildon men will be affected. What is more, those that simply aspire to salaries over and above the relatively modest sum of £21,060 – the point at which the NIC measure bites – will also be wary.

The shadow chancellor was honest enough to deal with that head on yesterday. "We have had 13 years in which people at the top got preferential treatment," he said. "In this budget, we are starting to take back something for the average taxpayer and the average family."

The task now lies with Labour's campaign propagandists to present the shadow Budget as a new battle-ground on which voters must choose between the two parties.

Yesterday's unprecedented exercise – a historic first for any opposition party – gives voters more detailed data from which to make their decision than ever before.

Yet, despite all the razzamatazz, there are still no guarantees that the electorate will thank Mr Smith for that.

ECONOMISTS GIVE THEIR RATINGS

BILL MARTIN – UBS PHILLIPS & DREW

Score: 1 out of 10

THE spending measures are strangely focused for a party which seeks to use fiscal policy to boost the economy's long-term growth rate. What role do higher child benefit or extra pensions play in that? The abolition of the national insurance contributions ceiling is in itself a useful taxation measure but the implications of the top rate of income tax and national insurance contributions will probably undermine the work efforts of the higher paid and to that extent undermine the supply potential of the economy. Industrial measures were too small-scale.

PETER SPENCER – SHEARSON LEHMAN

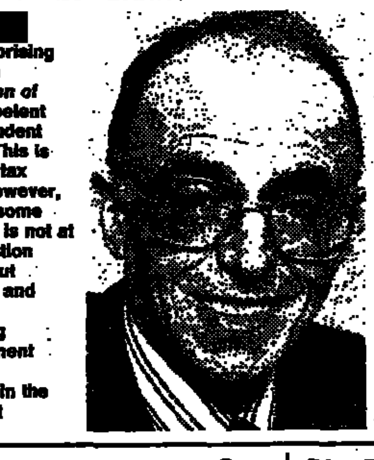
Score 7 out of 10

I GIVE it two cheers. It is a prudent budget remaining within the limits set by the government's own budget proposals. It maintains the safety net of the ERM and as such there is little in this to worry the financial markets. In terms of income distribution the budget casts Mr Smith in the guise of a latter day Robin Hood – taking from the rich, and not so very rich, to give to the not so poor. You have to have a taxable income to benefit from this – the very poor don't do so well. Its main failing is that it does very little to help boost confidence and promote economic recovery.

DAVID KERN – NATWEST BANK

Score 5 out of 10

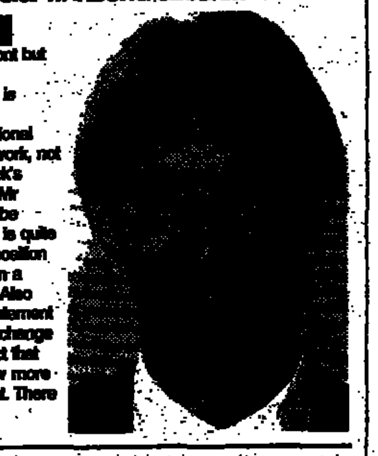
BASICALLY an unsurprising shadow Budget which confirms the perception of John Smith as a competent and fundamentally prudent potential chancellor. This is underlined by the small net increase of £1.8bn. However, the statement leaves some big question marks. It is not at all clear what assumption Labour is making about privatisation receipts, and although there was a commitment to staying in the ERM, the statement did not address the widespread anxieties in the City that Labour might devalue.



KEVIN GARDINER – S.G. WARBURG SECURITIES

Score 5 out of 10

ONE point higher than Lamont but only just: There is as much consumption going on but it is different people doing the consuming. It is a redistributional budget with a macro framework, not much different from last week's Budget. The overall tone of Mr Smith's presentation should be reassuring to the markets. It is quite encouraging to have an opposition party quantify its proposals in a reasonably systematic way. Also welcome is Mr Smith's restatement of the commitment to the exchange rate mechanism, and the fact that there are no plans to borrow more than the present government. There is not as much stimulus to investment as expected.



'A fair deal for average taxpayer'

By Peter Norman, Economics Correspondent

MR John Smith, Labour's shadow chancellor, yesterday unveiled a draft Budget that, he said, would "provide a fair deal for the average taxpayer" and help Britain achieve recovery from recession.

Compared with what had been announced and leaked in advance, Mr Smith's proposals contained few surprises. To a considerable extent, he has taken over last week's Conservative proposals to help business and added some of his own, such as a one-year increase in capital allowances to 40 from 25 per cent and increased government spending on training and providing job experience.

But on personal taxation and benefits, Labour's Budget plans map out a different philosophy from that advanced by Mr Lamont in his Budget last week. The average tax payer stands to be better off under Labour, but not dramatically so. At the higher income levels, particularly in those families with only one, highly-paid earner, the election of a Labour government would result in a significant reduction in disposable income.

If he becomes chancellor, Mr Smith will:

- scrap the lower 20 per cent tax band for the first £2,000 of taxable income announced by Mr Lamont last week;
- abolish the 2 per cent employee's contribution to National Insurance on earnings under £54 a week.
- increase the personal allowance before which income tax is paid by 10 per cent, or £330, to £3,635, compared with the government decision to index this by 4.5 per cent to £3,445.

These moves, Mr Smith said, would take 740,000 people out of income tax and benefit every employee earning up to £22,000 a year.

On the benefits side, Mr Smith said Labour would increase child benefit for all children to £9.95 a week, providing £127 a year for a family with two children. He also announced plans to raise pensions by £5 for a single person and £8 for a married couple, against government plans of extra help for poorer pensioners on income support of £2 a week for a single person and £3 for couples from October.

He also announced tougher tax treatment on certain benefits in kind, including a plan to scrap the 2 per cent incentive paid to people to opt out of the state earnings related pension scheme (Serps). Labour would also keep the 0.5 per cent stamp duty on share transactions for at least another year. But it was in the treatment of higher income earners that the Labour Party's plans differ most from the government's.

As previously promised, Labour would scrap the upper earnings limit on employee national insurance contributions so that employees earning more than £21,060 a year will pay 9 per cent on every pound earned above that level. Also, a 50 per cent higher tax rate will apply to taxable income of £36,375 and over, so that a single person qualifying for personal allowance will pay half his or her income in income tax beyond £40,000, against 40 per cent at present.

Under Mr Lamont's budget, most tax payers would be about £2.64 a week better off. A married man or single parent earning £8,000-£25,000 a year would stand to gain £138 a year, according to Inland Revenue figures. Higher earners, at present paying the 40 per cent top tax rate, would gain a flat £160 a year irrespective of how much they earn.

Mr Smith said a single person on average earnings would have over £100 a year more in disposable income under Labour's plans; an average two-earner family with two children would gain £311.

Figures produced by the independent Institute for Fiscal Studies (IFS) yesterday suggested that if Labour comes to power, every taxpayer earning £20,750 or less a year will be a winner with gains per family ranging between £2.13 and £4.40 a week. But at incomes beyond £22,000, people would start to lose. Some 99 per cent of families earning £52,000 a year and over would lose, by an average £5,500 a year.

Labour said its tax plans would raise extra revenue of £1.89bn in 1992-93 and £3.5bn in 1993-94, which it would use to increase investment. This would include a £1.1bn "recovery programme" for the economy, incorporating the more generous treatment of capital allowances as well as £600m spending on skills and the unemployed.

Its plans contain no estimate for the cost of the more generous capital allowances, though these could be expected to hit government revenues from 1993-94. The IFS has estimated that 40 per cent capital allowances for one year could cost the exchequer £2bn. In his Budget, Mr Lamont rejected such a move as too expensive.

Labour's Budget has other gaps too, with no estimate of the impact on growth or inflation. Labour adopted the £28bn public sector borrowing requirement set by the government for 1992-93, but did not indicate its future borrowing needs, staying silent on privatisation. Last week's government Budget envisages privatisation proceeds of £8bn in 1992-93 and £5.5bn in 1993-94 and 1994-95.

To reassure financial markets and foreign investors, Mr Smith pledged to take sterling into the narrow band of the European exchange rate mechanism at its DM2.95 parity "in due course".

Manufacturers' reaction mixed

By Daniel Green and Peter Marsh

THE LABOUR PARTY'S shadow budget proposals brought a mixed response from British manufacturing companies yesterday.

SmithKline Beecham, the UK's second-largest drug business, said: "There is nothing in the announcement that gives any stimulation to industry whatsoever." But Mr Kanak Bhatt, finance director of British Vita, a plastics company, commented: "A lot of Labour's ideas on revitalising industry and public-sector investment seem highly credible. Britain needs to improve confidence in manufacturing industry."

Sir Colin Corness, chairman of Redland, the building materials group, declared: "The only obvious benefit to the construction industry lies in the phased release of council-house receipts, a good thing for the construction industry and rented sector". Some £3.5bn health and education spending was welcome but was not a big boost. The Confederation of British Industry and several large companies, including ICI and BA, refused to comment.

The CBI reiterated that capital allowances for investment should be raised from 25 to 40 per cent, one of shadow chancellor John Smith's proposals.

The Institute of Directors called it "a budget for recycling money". Ms Ann Robinson, head of the IOD Policy Unit said: "It nationalises private wealth for public spending." The IOD attacked raising capital allowances as "fundamentally flawed". It would "only suck in imports of plant and equipment."

Mr John Binnie, deputy managing director of Allied Colloids, said he was sceptical about Labour's proposed £1.1bn industrial recovery programme. "Britain has tried ideas like this before and they haven't worked." Proposals to tax the higher-paid would de-motivate senior management. Many industrialists were unimpressed by proposals to increase taxes for the higher paid, but were prepared to welcome higher capital allowances.

Proposals would help low paid, study says

By John Authers

HOW would the alternative budget proposals affect FT readers?

A study by the Institute of Fiscal Studies shows that 48 per cent of the population will benefit under Labour's proposals, while 17 per cent would do better under the Tories.

Labour's proposals would help the lowest paid, and would be virtually neutral for a broad swathe of middle-income earners, according to the study.

For example those earning between £400 and £499 are on average £2.13 per week better off, while those earning between £500 and £599 are £1.49 per week worse off.

This is thanks mainly to the abolition of the ceiling on National Insurance contributions, which effectively means that nobody currently earning more than £22,000 per year pays more than £1,699 in NICs.

But only 1 per cent of those with an income of more than £1,000 per week will be better off under Labour, according to the IFS, while 98 per cent will be worse off. Their average weekly loss is £105.70.

Figures produced by Price Waterhouse, the accountancy firm, show how the mechanics of this will work. They take as their example a family with only one breadwinner with a gross annual income of £150,000.

While under the Conservative budget this family would only pay £48,454 in income tax at 40 per cent, under Labour they would pay £5,070 at 40 per cent, and £54,140 at 50 per cent.

Abolition of the National Insurance contributions ceiling also adds to the tax burden. Under the Conservative budget the National Insurance bill would be £1,699. Under Labour this increases to £13,247.

This means that take home pay would be reduced from £94,929 to £72,653. On the assumption that the family has two children, Labour's child allowance proposals would reduce this difference slightly from £94,929 to £72,653, a reduction of £428.38 per week, or 23.6 per cent. For a family earning £100,000 gross, net pay is reduced by 19.67 per cent.

Families on this income but with two earners are much less severely affected, because they earn double the amount at only 25 per cent tax before the higher rates become payable.

A family earning £50,000 gross annually would also pay more, although the effect is less marked. Rather than paying £8,454 at 40 per cent, they would pay £5,070 at 40 per cent and £4,140 at 50 per cent. NICs would rise to £4,247.

This makes for a reduction of exactly 10 per cent in take-home pay, from £34,022 to £30,618.

Party upheaval led to 'responsible' approach

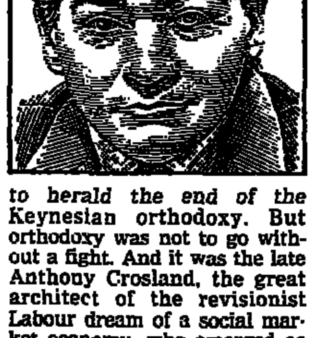
WHAT is the intellectual pedigree for Mr John Smith's alternative budget? The shadow chancellor's modestly redistributive aspirations and his acceptance of fiscal fine-tuning would no doubt have been familiar to an earlier generation of Labour politicians. So, too, would the discipline of a semi-fixed exchange rate. But the "responsible" approach to public spending is unquestionably something new.

It would simply not have occurred to many Labour politicians in the 1970s that an election might be winnable on the basis of financing increased spending out of higher taxation, while maintaining a similar public sector borrowing requirement (PSBR) to the one promised by the Tories. How did this upheaval in Labour economic thinking come about?

The watershed almost certainly came with the cabinet debate over the terms of Britain's letter of intent to the International Monetary Fund in 1976.

The terms of the debate were set, first, by the then prime minister, James Callaghan, in a speech to the Labour party conference, which was partly drafted by his son-in-law Peter Jay. Against the background of a spiralling PSBR, plummeting sterling, high unemployment and inflation that had hit 27 per cent at its peak, Callaghan declared: "We used to think that you could spend your way out of a recession....I tell you in all candour that that option no longer exists, and that in so far as it ever did exist, it only worked....by injecting a bigger dose of inflation into the economy, followed by a higher level of unemployment....That is the history of the last twenty years."

Callaghan's speech appeared



to herald the end of the Keynesian orthodoxy. But orthodoxy was not to go without a fight. And it was the late Anthony Crosland, the great architect of the revisionist Labour dream of a social market economy, who emerged as the most articulate opponent of the "deflationist" tendency. He told Callaghan that it was all a banker's ramp. The economy, he claimed, was in better shape than the Treasury was prepared to admit.

As irony would have it, Crosland was more right about the the economy than the Treasury knew. Cash limits were making bigger inroads into the PSBR than officials recognised and the balance of payments deficit substantially reflected investment in North Sea oil fields that had yet to produce revenue. But as the former Trade Secretary Edmund Dell observes, in his memoir of the 1974-76 period, that was not the perception in the markets; and it was inconceivable that any version of Crosland's strategy would have won international support.

It took some time for the free spending habit to extinguish itself. Indeed, the implausibility of Labour's spending plans was a contributory factor in its departure from office in 1979.

Nor did Labour ever adopt the domestic version of monetarism that came and went under the Tories in the first half of the 1980s. But by the late 1980s, after a decade of Thatcherism, the boundaries of the economic debate had undeniably changed. And so had the people with most influence on Labour party policy.

The star of the Oxbridge intellectuals who dominated in the 1960s and 1970s has waned. Meantime the Scottish ascendancy, represented by John Smith, Gordon Brown and Robin Cook, exerts a more powerful influence on thinking.

If Tony Crosland were around today he might well have worried about the narrow ground over which John Smith is seeking to differentiate his party against the Tories. The case for and against devaluation in present circumstances might have been more noisily fought. But that does not mean that a fight will not come in the end under a Labour government or Labour-led coalition.

The new responsibility means that Labour's more enticing promises have been made dependent on economic growth. Yet last week's cheerful growth forecasts from the Treasury have met with widespread scepticism. The worry today is about a 1930s-style debt deflation, in which adherence to the ERM prevents sufficiently large interest rate cuts to limit the damage. How will the Labour faithful respond if the promised expenditure seems to be endlessly deferred? How long before they recall that it was a Labour chancellor, Philip Snowden, who gave financial rectitude a bad name in the Slump?

John Plender

Package outlines recovery policy

THE Labour party said: "Our proposals are in two parts. First, a package of tax and benefit changes that are self-financing. Second, a set of measures for strengthening the economy and public services.

Removal of the National Insurance contribution ceiling. Employees earning less than £405 per week (£21,060 per year) pay National Insurance contributions (NICs) on all of their earnings, while above that level of earnings no NICs are paid at all. This is an unfair anomaly in our tax structure. The ceiling on contributions will be abolished.

Abolishing the National Insurance entry fee. The 2 per cent contribution on earnings under £54 a week – effectively a £56 entry fee into the National Insurance system – will be abolished.

We propose no changes to the National Insurance system for the self-employed.

Reform of income tax personal allowances. The personal allowance will be increased by £330 per year, (10 per cent), or £180 per year above statutory indexation. As a result 740,000 taxpayers will be taken out of income tax altogether.

Married couples will have the option of splitting the married couples' allowance between them as they choose.

Tax rates:

- The basic rate of tax will remain unchanged
- The 40 per cent rate will remain unchanged
- A new top rate income tax of 50 per cent will apply to individuals with an income of at least £40,000 (taxable income of £36,375, plus the personal allowance of £3,635).

Treatment of benefits in kind. Following the principle introduced by the Conservatives in last year's Budget, employers' National Insurance contributions will be extended to all taxable benefits in kind.

Two per cent bribe for opting out of the state earnings-related pension scheme, Serps. The 2 per cent incentive which is currently paid to encourage people to opt out of Serps into money purchase, personal pension schemes will be withdrawn for the financial year 1992-93.

Stamp duty on share transactions. The abolition of stamp duty on share transactions will be postponed for a further year.

Relief for employer-provided childcare. The exemption of workplace nurseries from tax as a benefit in kind will be extended to all forms of employer assistance with childcare.

This package introduces a series of valuable reforms, abolishes a tax and takes 740,000 taxpayers out of tax altogether. It also raises enough revenue to cover the following measures:

Child benefit. Child benefit is currently paid at £9.65 per week for the first child and £7.80 per week for all subsequent children. This is less than its April 1987 level in real terms.

Child benefit will be restored to that level – £9.95 per week – for all children. This means higher child benefit for 12m children and is worth £127.40 per year to a family with two children.

Basic state retirement pension. The basic retirement pension will be increased by £5 a week for a single person and £8 for a married couple. This will be paid on top of the annual increase for 1992, and will not be deducted from income-related benefits received by pensioners. People on benefits linked by statute to the level of the basic pension, such as widows and those on invalidity benefit, will also receive the increase. Overall, these changes will benefit 12m people.

Investment in recovery and the future. In a full year there will be £3.5bn available for investment in health, education and the other vital public services. There will be an immediate implementation of a £1.1bn recovery programme.

For the period which includes the remainder of this financial year, 1992-93, and the first full year of the Labour government, 1993-94, there will be of the order of £5.4bn additional resources available for the investment which Britain needs.

The recovery programme will consist of:

Manufacturing investment initiative. This consists of enhanced first-year capital allowances for additional investment in plant and machinery and in innovation and design to run for a specific period. It will encourage an investment-led recovery.

Package to help business. Small firms and others have suffered severely from the Major recession. We will introduce measures to help tackle the problems of small firms and to boost investment throughout industry.

A programme for skills. This consists of creating a new skills fund, Skills for the 1990s as well as restoring cuts in Employment Training and Youth Training.

Work for the unemployed. We propose a radical new employment programme that for the first time shifts the focus from curing long-term unemployment to preventing it from happening at all. This job experience programme will promote work of benefit to the community as well as helping the unemployed. Training will be available to those on the programme, and people on it will be paid a "rate for the job".

A boost for housing. Getting housebuilding going again will have a powerful employment effect in the construction industries as well as starting to meet desperate housing needs. We will begin the phased release of capital receipts held by local authorities from the sale of council houses to achieve this.

Transport. We will immediately allow British Rail to proceed with a pilot leasing scheme to renovate the rolling stock on the North Kent line.

DIRECT EFFECTS OF BUDGET MEASURES

Measures	FIRST YEAR £m 1992/93 Changes from an indexed base	FULL YEAR £m 1993/94 Changes from an indexed base
Introduction of a new 50% band of income tax set at earnings of at least £40,000 (£36,375 taxable income plus personal allowance £3,625).	+1,070	+2,140
Increase of the personal allowance by £330. An increase of 10%	-920	-1,170
Abolition of the national insurance ceiling	+1,800	+2,700
Abolition of the 2% national insurance entrance fee	-720	-1,070
Employer national insurance contributions on benefits in kind	+260	+300
Abolition of the 'bribe' to opt out of SERPS		+820
Retaining 0.5% stamp duty on share and security transactions during 1993/94		+790
Increase in child benefit for all children to £9.95 without corresponding reduction in means tested benefits	-315	-750
Tax exemption for employers' assistance with childcare	-5	-5
Increase in the state retirement pension by £5 for a single pensioner and £8 for a pensioner couple. With increase in linked benefits and without corresponding reductions in means tested benefits	*-1,050	*-2,565
Not implementing the 20% reduced rate band	+ 1,770	+ 2,320
Total revenue effect	+1,890	+ 3,510

*The figure shown here is the net cost after allowing for the Conservatives' budget proposals.

We will implement the other budget proposals announced by the Conservatives. These include the reduction in special car tax to 5 per cent, improvements to business cash flow through alterations to the Uniform Business Rate and new arrangements for VAT returns.

UK NEWS

ELECTION 1992

Tory attack focuses on pensions

By Alison Smith

THE Conservatives yesterday launched a wholesale onslaught on Labour's shadow Budget with an attack on the plans to end the concession for people opting out of the state earning-related pension scheme (Serps). It was denounced as a retrospective penalty on the 4½m people who had taken out personal pensions.

Mr Norman Lamont, the chancellor, leading a team of cabinet ministers attacking Labour's initiative, condemned the proposals as "a shadow Budget in more than name".

He called the increased investment allowance "the first invisible kick-start ever", as it was not mentioned as a cost in 1993-94, and said that while the proposals attributed no cost to the phased release of local authority capital receipts, these would add to government borrowing.

The specific charges came within a broad campaign assault on Labour's plans which would, the Conservatives said, leave everyone worse off because interest rates would rise, the housing market would be devastated, and the tax bills of "all those on whom we depend to help this country out of recession" would rise sharply.

In their general attack on the impact of Labour's economic policies, the Tories highlighted the finding of the Financial Times/Mori poll of board-level executives in yesterday's FT, which said a quarter of respondents suggested that their companies might reduce their investment spending if Labour were elected.

"So much for the proposition that Labour would lead to higher investment," said Mr Chris Patten, the party chairman. Mr Tony Newton, the social security secretary, underlined the impact of the Serps change on young people, saying that more than half of personal pension contract holders were under 30 years old. "Within less than one month the basis of all 4½m personal pensions will be wrecked," he added.

Labour responded that it had consistently made clear its opposition to the concession, and had said it would be ended. Though it would be preventing people from receiving the final year's benefit of the five-year arrangement running from 1988, it would not be taking away what people had already received.

Mr Michael Howard, the employment secretary, targeted Labour's spending plans, saying they would not produce any public benefit.

He said that the extra £1bn for the health service, for example, would not go on patient care but on introducing the minimum wage, ending compulsory competitive tendering and bringing in a £100m no-fault compensation scheme.

Quotes of the day

I heard it called a mock Budget and that's what it is. He is mocking the electorate

Ian Lang, Scottish Secretary, on John Smith's alternative Budget

The blending of the economy and the environment in the Liberal Democrats' *manifesto* is so inadequate that it is more like the linking of the little fingers of two shy lovers

Sara Parkin, Green Party

Any minority government which tries to play games with the constitution in order to cling to power, promoting instability and dodging the moral challenge of democracy, will have to contend with us

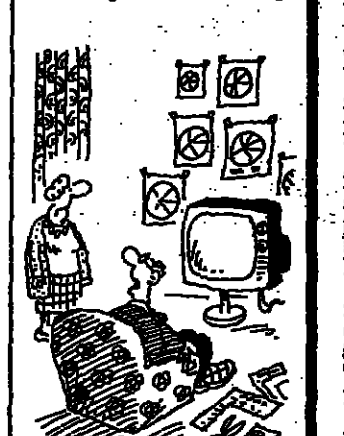
Liberal Democratic manifesto

Unless Scots achieve independence at this election, our steel industry will be destroyed, the Highlands will be turned into the world's nuclear laundry, and we will have no say in the vital European decisions which will affect our future well into the next century

Margaret Ewing, SNP parliamentary leader

It's the only politician he knows from the television

Mother of the four-year-old boy who pursued the prime minister around a market while shopping in his Huntingdon constituency



"I was hoping all these pie-charts might help us pick up the cricket."

Child benefit: Neil Kinnock looks for young backing during a visit to a nursery at Stroud Green in north London

Joe Rogaly

A clash of symbols

WE ARE only two days into the election campaign proper and the British public is in danger of falling asleep to the clash of symbols.

Exactly a week ago we had Mr John Major's budget, which confirmed that the government could not risk a huge pre-electoral bribe for fear of how the markets might react. What was on offer was therefore almost wholly symbolic. It was pocket money now, as an earnest of intent to cut taxes by serious amounts in the future.

Yesterday we had Mr John Smith's budget. It was more or less all his own work, which cannot be said of Mr Norman Lamont's proposals. That is why when talking of the politics of the matter it feels apposite to refer to broad Tory fiscal strategy as that of the prime minister and First Lord of the Treasury not the Chancellor.

Mr Smith, like Mr Major, was constrained by the magnitude of the public sector borrowing requirement. You have to be a Liberal Democrat, with no hope of achieving office, to dare to tell the voters that you would actually increase a projected PSBR of £28bn by a further £2bn. This proposal, made by the Lib-Dems yesterday, is not damaging to Mr Paddy Ashdown's party because nobody believes that there is the slightest chance of it being put into practice.

Mr Smith enjoys no such luxury. He has a reputation to maintain as the most conservative potential chancellor to appear on our television screens since the then Mr Roy Jenkins bowed out in 1970 – or do I mean Sir Stafford Cripps in 1950? Perhaps Mr Jenkins. Either way, Mr Smith is a star. If he led his party Mr Major and the Conservatives would not stand a chance. When Mr Smith's face appears on the television screen you know that all is right with the world. He is sober, serious, sympathetic, straight and, to cap it all, Scottish. No mere English politician can compete.

So when he presented his alternative Budget yesterday Sober John was careful to preserve his reputation. It all had to look right. It did. It had to appear to be no more profligate than the Tory offering. I suspect that to untutored eyes it may have done so. It was also supposed to add up. It did not. Something specific on inflation assumptions and privatisation receipts would have helped. Absent such little details, achieving the appearance of probity must have been a strain. The net effect is that some of the electoral bribes being offered by the Labour shadow chancellor are almost as symbolic as those put forward by Mr Lamont.

> Mr Smith's scratch outline must at least further neutralise the Tories' efforts

In the examples provided by the party the top beneficiary is an engineer on £19,527 a year, married to a bank teller on £10,270 with three children "and Grandma living in with a pension of £54 per week." Thanks to significant increases in child benefit and pensions the total household gain would be some £500 a year as compared with Mr Lamont's budget – but you try telling that to Grandma in the hope of getting a larger increase in her contribution to housekeeping.

I suspect that the engineer, who doubtless hopes to earn more than £21,000 next year, would be put off voting Labour by the abolition of the ceiling on national insurance contributions. The bank teller/mother of three is well-bribed, however.

Unfortunately for Mr Smith most of the other examples are down to the symbolic level, even if you use his trick of citing family rather than individual incomes. As to a solicitor on £24,000 married to a teacher on £16,071 with two children, Mr Major's budget is shown in Labour's examples to be the better financial bet.

There would have been more for Labour to spend lower down the income scale if its original threat to extend the 9 per cent national insurance impost to "unearned" income had been maintained, but Mr Smith learned in time that this would be a vote-loser, not least among the party's many potential supporters.

The shadow chancellor's spending plans may do more political good for the party than his juggling with taxes. Labour is now able to assert that it has properly costed a £1.1bn recovery programme, a "minimum" further increase of £1bn on the National Health Service, and £600m for education. That should in theory wrap up the nurses, the teachers, and the building workers. It is also offering something to encourage capital investment which may raise the hopes of some of the unemployed.

Add to these categories mothers gaining child benefit, pensioners gaining £5 a week if single and £8 if a couple, irrespective of their current incomes, and other state beneficiaries, and the Labour spending programme can be said to be well market-researched by the Institute of Bribery, Inducements, Handouts, Backhanders, Vote Purchasing, Wallet Voting and Symbolic Democracy.

As to its effect, we shall see in next week-end's polls. Labour's backroom officials were in a state of some excitement in advance of Mr Smith's presentation of his budget yesterday. This, they argued, would break the tie between the two leading parties. It would put the party ahead of the Conservatives in the opinion polls, and keep it there. They must be at least half right: if Mr Lamont's budget neutralised itself last week, Mr Smith's scratch outline must at least further neutralise the Tories' efforts this week.

There remains, however, the other half. That is the long list of Labour spending promises which must, by definition, now go unmet. Either these are to be made good later, breaking yesterday's shadow Budget, or they are like so much else in this election: merely symbolic.

Labour plans to end age discrimination at work

By David Goodhart, Labour Editor

THE Labour party's manifesto, to be unveiled later this week, will contain a commitment to outlaw age discrimination at work. This legislation would stand alongside the existing laws on race and sex discrimination.

The measure would make it illegal to specify age in job advertisements or to select people for redundancy on the basis of age (as opposed to length of service).

It would also make it illegal for government programmes to discriminate against the over-50s as does the Employment Training scheme which gives priority to younger workers.

Supporters of such legislation argue that one worker in three will be over 40 by the end of the decade, yet older workers are widely discriminated against and increasingly used as a reserve army of labour pulled into employment in boom and jettisoned in recession.

Well over a third of all unemployed over-50s have been out of work for more than one year – a far higher proportion than in other age groups. Labour policy makers argue that legislation could cut that number significantly.

They also claim that nearly 40 per cent of all job advertisements discriminate on grounds of age.

Most employer bodies acknowledge that there is some unjustified prejudice against employing older people, although some employers, including retailers B&Q and Tesco, have had special recruitment drives for older people.

The Confederation of British Industry said yesterday it favoured a voluntary code of conduct as opposed to legislation. The Institute of Personnel Management, which is more positive about legislation, has issued a code of conduct for employing older workers but few companies appear to have observed it.

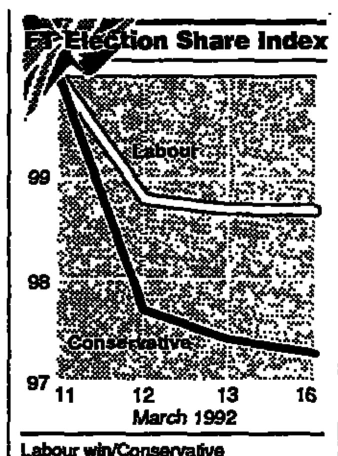
The US has outlawed age discrimination since 1967 but the UK's Conservative government has repeatedly opposed legislation. Last month the government announced plans to set up an advisory body to help eliminate age discrimination.

Support for the government's voluntarist view has come from the Commons employment committee which examined, and rejected, the case for legislation in 1989.

● A growing number of big employers, including Unilever, Allied Lyons and BTR, are allowing men to retire at the age of 60 together with women, according to MSF the general technical union.

Following the Barber judgment of the European Court requiring sex equality in pensions, a majority of employers said they would harmonise "upwards" to 65. MSF claims there is now a strong pull towards harmonisation "downward" to 60.

FT Election Share Index



Labour win/Conservative defeat stocks	98.71	-0.03
Conservative win/Labour defeat stocks	97.25	-0.14
FTSE	97.95	-0.21

THE 10 shares in the "Labour gainers" portion of the index continued to outperform the 10 "Conservative gainers" yesterday. The effect was muted, however, and both sections did slightly better than the main indicator of big companies' performance, the FT-SE 100 index. Shares chosen are based on analysts' predictions of sectors that will gain or suffer from a change of government. The base of 100 reflects closing prices on the day the election was announced, March 11.

City Watch: Barry Riley

The markets take cover

AT THE first sound of electoral gunshot the stock market has posed a far from valiant spectacle, with the FT-SE 100 Index losing 104 points since last Wednesday when the April 9 poll was announced. There was little sign of serious resistance yesterday, with rallies petering out and the Footsie closing 5.7 points down at 2,470.7.

It is hard to blame the opinion polls, which are still telling much the same story as for many months. There are apparently two intermingled problems. First, big investors are starting to have doubts about their long-held assumption that somehow the Conservatives would squeeze back into power with a small but working majority. Second, the Budget last Tuesday turned out to be a sad disappointment: it failed to include convincing vote-catching proposals, and at the same time it promised a flood of gilt-edged issues.

According to Mr Richard Kersley at broker Barclays de Zoete Wedd, the stock market had got a little ahead of itself, closing on Budget night at the year's high. Dashed hopes for interest rate cuts helped to undermine this level. But he argues that at around 2,400 and a 5½ per cent yield, the market would start to look attractive, come what may in the polls.

If the Tories win, he thinks the market would soon threaten its all-time high of 2,679.6 last September and could reach 2,900 by the autumn, assuming a decent economic recovery.

There are plenty of other bullish brokers, such as James Capel, which thinks that the Footsie would shoot through its high on a Conservative win, and might get up to 3,000 by the end of this year.

Mr Nick Knight of Nomura suggests that "the political outcome is probably largely irrelevant". A Tory win might put 100-150 points on the index but that would be greeted by "a deluge of selling".

A cautious message comes from Mr Tony Dye, strategist at Phillips & Drew Fund Management. "Last week there was a realisation that a Tory win was not a 90 per cent certainty," he says, adding: "There is quite a lot more vulnerability in the market." Some market watchers are worried that traders and investors in London may fail to keep track of events elsewhere in the world. Yesterday, for example, Tokyo showed ominous signs of weakness, breaching the 20,000 level on the Nikkei Average.

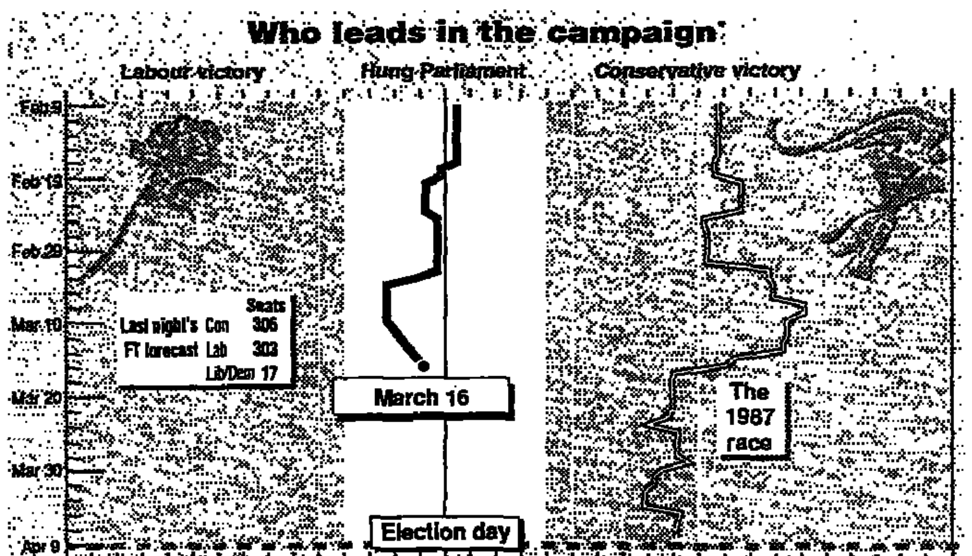
Labour's threat looms larger in London. Kleinwort Benson's chartist Mr Nick Glydon says that on average the market has risen 2.3 per cent the day after a Tory win but has fallen 3.6 per cent after Labour victories. After the two unexpected Labour wins in 1945 and February 1974 prices were nearly 10 per cent lower within a week.

It is bound to be hard for the City's well-paid professionals to ignore their own forebodings about a jump in personal taxes under Labour. The shadow Budget yesterday confirmed a rise in the marginal income tax rate to 59 per cent for those earning more than £40,000.

Labour's policies on sterling and government borrowing seem to be no different from those of the Conservatives. But this does not prevent the City from harbouring suspicions, and the investment institutions may demand a higher interest rate if they buy gilts from a Labour administration.

Higher gilt yields would undermine equity prices, given that yield ratios are a key factor in market valuation. The nervous defenders of the equity market may be driven into their own minefield.

Who leads in the campaign*



* Weighted average of six most recent opinion polls computed daily. Does not include telephone polls and those that omit sample size or field dates. The graph compares the parties' position and their leads at similar points in the last two campaigns. The zero line marks level-pegging. If the black line moves to left, Labour leads. The Tories lead if it goes to the right. Both need to escape the white margin to form a government

The odds

Betting on the number of seats (IG index mid-prices)	Con	303	Ladbrokes	Con	4/7
	Lab	305		Lab	5/4
	Lib/Dem	26		Lib/Dem	500/1
				Hung	4/5

Latest opinion poll (Harris / Express)	Con	41%
	Lab	38%
Field date 15,16 March	Lib/Dem	17%

The trouble with negatives

THE danger of using negative material featuring your political opponents is not just an old campaigner's tale.

For what seems like months, the Conservatives have been hammering away at a campaign based on the all-purpose slogan "You can't trust Labour". At the weekend 5,500 posters proclaiming the message went up throughout the country – one-third of all poster locations, according to the Tories.

Some have already fallen victim to simple, but effective political vandalism - white paper pasted over the apostrophe and the "t" in "can't".

Mirror cracks

There was a spot of trouble at the *Daily Mirror* last Friday. The newspaper launched its around the clock election hotline in order to keep in touch with its readers, but published the wrong telephone number. From about 7 am the switchboard at Unilever headquarters in Blackfriars started humming. Britain's multinational came to the rescue. Troops of *Mirror* reporters were installed in the Unilever building throughout the day. "We were glad to help," a Unilever spokesman said yesterday. "Their readers are our customers."

Real depth

Labour has a bountiful range of politically powerful economic statistics about the length and depth of the recession with which it can embarrass the Tories. So why do they keep quoting one of the more dubious comparisons?

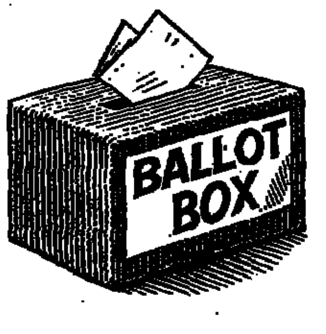
It is true that total UK gross domestic product fell by 2.5 per cent last year; and yes, that is the largest annual fall since the 1930s, outstripping the 1980 contraction by 0.5 percentage points.

Yet this is a needlessly misleading statistic. The current recession may be the longest recession since the war, but 1980-81 is still the deepest, whatever these annual gymnastics seem to suggest. GDP has fallen, in this recession, by 3.7 per cent over the six quarters since the middle of 1990. But GDP fell by 4.9 per cent in the five quarters between the fourth quarter of 1979 and the first quarter of 1981. Counting from the third quarter of 1979, the first quarter of both negative growth and Tory government, output fell by 5.5 per cent.

This government may have presided over the two deepest recessions since 1945 but this is still the shallower of the two – at least so far. Another quarter or two of recession and 1990-92 could win both prizes.

One-liners

Barbara Follett, the woman responsible for getting the Labour party into smart double-breasted suits, has come up with the "Biteline" to help provide zip to Labour's campaign. She has written to writers and comedians of known left-wing leaning inviting them to send by fax any appropriate or witty one liners that can be used to pep up speeches. The first request is looking for witty comments about the budget or the economy, but writers will be sent regular updates of new engagements and themes as the campaign develops. How about Spike Milligan's old line:



"Please excuse the mess, we've had the Conservatives in"?

Both ways

The FT Election Share Index drew a mixed bag of phone calls on its first day yesterday: a broker and a radio station wanting to quote it, and a constituent commenting ever-so-politely on its place in the index. The company concerned is BET, which made a lot of play a year or so ago of its role as a one-stop supplier of business services. This led brokers to argue that profits might suffer if BET had to pay a Labour national minimum wage to its armies of cleaners and security guards, and qualified it for a place in the Conservative win/Labour defeat section of the index.

Yesterday's phone call pointed out that BET also has a UK construction arm, which might benefit from a Labour government's infrastructure spending. Nice try: BET wins a small prize for attempting to position itself as the first each-way bet of the campaign.

Hollick's frolic

Lord Hollick, the Labour life peer in charge of MAI, the business services group, refused to be drawn on the outcome of the election as he announced a 2 per cent increase in pre-tax profits to £30m yesterday.

Tucked away in the MAI stable is the polling firm, NOP. "I'm in the business of selling polls, so I can't give you a sneak preview of the outcome," he said.

Still stands

At least one organisation has no qualms about predicting a Conservative victory. The Institute of Directors is proudly advertising its 28 April annual convention. The star speaker is prime minister, John Major.

ELECTION 1992

Targeting voters wastes valuable ammunition

By David Butler

IN THIS election there are 500 seats where the outcome is not in doubt. In the 150 seats where there is a chance of change, 80 per cent of voters will vote as they did last time – even though a few of them *may need a little encouragement to* go to the polling booth.

The election will be decided by at most 2m people (say 12,000 people in each of 150 constituencies). On a more ruthless estimate there will be 30,000 key voters (say 2,000 in each of 40 constituencies). *Rational* campaigners should focus all their efforts on these target voters.

As the identification of marginal seats has become more precise, parties have indeed focused more of their efforts on them, targeting resources on the constituencies most likely to be won and lost.

With computers it is easier to build up marked registers, showing occupations and past canvass returns and records of voting. Subject to the limits on election expenses, direct mail can be sent to particular groups and above all to opinion leaders – not only doctors and journalists but also publicans and hairdressers. Money can be raised, workers can be recruited, membership can be maintained in ways impossible in the past.

Does it make a difference? Can voters be efficiently targeted either collectively or individually? Is it *possible to identify and persuade* the minority of voters who have a special propensity to float?

Targeting has three problems:

● How to identify the individual targets. There seldom is enough evidence to isolate subgroups.

● How to speak to the targets in the right persuasive language.

● How to address any appeal to those who will be attracted by it without letting it reach those who may be alienated. A pledge to end fox-hunting may drive away as much support as it attracts.

Over 40 years of election watching I have listened to much talk about organising mutual aid (workers from safe seats helping out in marginals), about reaching out to opinion leaders, about listing old people's homes where postal votes may be garnered, and about employing other campaigning gimmicks. I have found little evidence *that these efforts have much effect.*

Consider the postal vote. About 10 per cent of people are entitled to the postal vote. But the postal vote tends to average a mere 2 per cent. In no constituency in Britain is 5 per cent reached and there has been only a modest link between the size of the postal vote and the marginality of the seat. Party organisations plainly fail to deliver on this most obvious of opportunities.

The point is that local campaigning is as nothing compared to national campaigning. Not 10 per cent of voters will encounter their local candidate, but more than 90 per cent will be exposed to the leaders of the three main parties on television.

It is on television and in the press that the parties make their case. Does that give them the opportunity to target voters? They can hardly focus solely on marginal *seats since these are scattered* across the various television and newspaper markets. But can they target especially vulnerable voters, people whose social condition or occupation or policy views make them especially open to persuasion?

A generation ago the chief publicity officer of the Conservatives was convinced that the election would be decided by the wives of the skilled working class, C2 women. But when the election was over it seemed that the appeals achieved nothing. The targets had, if anything, moved less towards the Tories then the rest of the nation.

There is a popular legend that the C2s won the 1979 election for the Conservatives. There was a large 8 per cent shift among C2s to the Conservatives when Mrs Thatcher was elected, but no bigger than the 8 per cent shift among the DEs. The cause lay far more in the working *class's disillusion* with Mr Callaghan's government and the winter of discontent than in any special targeting by Conservative propagandists. The swing in marginal seats was no greater than in the rest of the country.

At the mass level, targeting is difficult because the parties are addressing a collective audience. Giveaways to a supposedly vulnerable sub-group will have no appeal to *the bulk of the audience* and may excite cynicism. There is always the question: "Where's the money coming from?"

The trouble with targeting is that we are multiple personalities. An old-age pensioner may be house owner, animal lover, anti-European and retired farmer. A single parent may have diverse interests and prejudices far removed from any stereotype. Any attempt to appeal to such people under one heading may offend them as general citizens.

The assumption of a common interest among a common category may be misconceived. Mori recently found that 33 per cent of the unemployed would vote Conservative. This, allowing for their class composition, *is very little below the* national figure.

For an issue to have a significant impact on the election outcome it must satisfy three conditions:

● It must be salient to the electorate. If they don't know or care about it, it can't sway votes.

● The public must be aware of a party difference on it, if it is to affect their preference.

● Opinion must be skewed on the subject. *If the public is evenly* divided then as many voters will be alienated as attracted.

Relatively few issues meet this triple test of a public that cares, that is informed of the party's stand, and that is unevenly split. For example, some people care passionately about fox-hunting and know that Labour will vote against and Conservatives for. However, it is an issue where there are as many votes to be gained as lost.

On other issues, such as crime or cruelty to children, the public does not differentiate between the parties. Targeting is logical, inevitable and largely ineffective.

THE CAMPAIGN MACHINE: CONSERVATIVES

Fears over tax to be played up

Philip Stephens on the Tories' use of a positive and a negative

ASK Mr Chris Patten how the Conservatives are running their general election campaign and the party chairman's first response is a negative: not like 1987.

Ask him on which issues the campaign will be fought and he offers a negative and a positive: Labour's tax plans and Mr John Major's leadership.

The recession is to be *ignored. When it must be* acknowledged, it is to be blamed on the world economy, fear of a Labour government or, privately, the mistakes of Mr Major's predecessors.

Facing the closest election since the early 1970s, Mr Patten's priority is to avoid the confusion, the personal and political rivalries, and the sheer incompetence which allowed Labour to win the campaign five years ago.

Then it did not matter. In 1987, the slick efficiency of his campaign machine could not overcome voters' distrust of Mr Neil Kinnock's policies. This *time the party that wins the* campaign will win the election.

So the message from Conservative Central Office is that there will be no repeat of the rows between Downing Street and Smith Square which dogged the party in 1987.

The prime minister and party chairman, who have become good friends as well as close political allies over the past 16 months, agreed well in advance the main elements of the campaign. As one insider puts it: "There can be no recriminations if things go wrong."

Of course, there will be more to the campaign than solidarity at the top – about £20m pounds more. The Conservatives, notoriously secretive about their finances, are not prepared to put any figure on *how much they will spend in* the quest for a fourth term. But senior figures do not demur at speculation that the final bill will approach £20m.

One member of the party's ministerial 'A' team suggested at the weekend that if it was still behind in the opinion polls in the final days before April 9, it might add another £4m or so to that figure in a burst of last-minute advertising.

Shaken and rather humiliated by Labour's superior style in 1987, the Tories intend to be more sophisticated, better organised, and more aggressive than their main rival.

This time there will be lots of Tory glitz. Mr John Schlesinger, the Hollywood film director, has been drafted in to make 'Major, the movie'. Central Office is spending £500,000 on a pantechnicon to haul round the country the set for half-a-dozen "Major in the round" question-and-answer sessions.

Mr Andrew Lloyd Webber has rearranged a piece by the composer Henry Purcell to produce a new theme for Tory election rallies. Shirley Bassey, Sarah Brightman and Paul Daniels are among those enlisted to give the party celebrity appeal.

Mechanics are in the hands of Mr Shaun Woodward, the communications director recruited by Mr Patten on the recommendation of Mr Jonathan Dimbleby, a mutual friend. The young but self-assured Mr Woodward has asked Saatchi & Saatchi to repeat the magic which won the Conservatives the 1979 election but faded somewhat in 1983 and 1987 before the agency resigned the account. Mr Maurice Saatchi leads a team of 25 working full time on the account.

The aim is to reactivate the fears that led the skilled working classes to desert Labour for Mrs Margaret Thatcher during the 1980s.

There is a less-than-subtle subtext: Labour cannot be trusted because Mr Kinnock cannot be trusted. Look how often he has changed his mind, the Tories will repeat until April 9. Can voters be sure he will not do so again?

It is only then that the positive message appears. The focus is Mr Major, Mr Major and Mr Major. The theme is that after 16 months in Downing Street in which he abolished the poll tax, led the country to victory in the Gulf war and ushered in a new, more caring, brand of Conservatism, the prime minister deserves his own mandate. Put another way: the pitch is not for a fourth Tory term but for a first Major term.

The manifesto published tomorrow – built around the distinctly un-Thatcherite concept that wealth and welfare go hand in hand – is designed to give substance to the image.

But it is the man rather than the policies that the campaign is designed to sell.

Tony Andrews

Hitting the road: Tory campaigns director Shaun Woodward yesterday with the 'battle bus' the prime minister will use on his trips to constituencies

A kiss and cheers as Thatcher bows out

By Ivor Owen, Parliamentary Correspondent

MRS Margaret Thatcher, the former prime minister, received a salvo of cheers from ministers and Tory backbenchers, and a kiss on the hand from Mr Bernard Weatherill, the Speaker, when she bowed out of the Commons yesterday.

She took her seat at 9.30am, when MPs assembled for the last time before the general election, and kept in touch with developments over the next six hours as the timetable for the final ceremony was repeatedly rearranged.

MPs dispatched five bills in as many minutes, in the process giving blanket approval to 126 clauses and 22 schedules of the Friendly Societies Bill, and disregarding – after momentarily overlooking – an infringement of the Commons' privileges by the House of Lords.

Peers were in less haste to clear the legislative decks. To the irritation of MPs, debates on the Finance Bill, the Army Bill, the Friendly Societies Bill and the Museums and Galleries Bill took far longer than expected.

MPs twice assembled, expecting to be summoned to the Lords for the prorogation ceremony – the preliminary process before the dissolution of parliament – only to be told that the Upper House was not yet ready to receive them.

An exasperated Mr Tony Banks, the Labour MP for Newham north-west, bellowed: "Thank God we are going to abolish them."

When Admiral Sir Richard Thomas, the gentleman usher of the Black Rod, finally arrived to summon the Commons to the Lords, Mr Ron Brown, the Labour MP for Leith, made a vain attempt to impose a further delay on the proceedings.

Ministers paid their own special tribute to Mrs Thatcher by allowing her to take precedence over the other occupants of the government front bench and follow Mr John MacGregor, the leader of the House, as he led MPs in bidding farewell to the speaker, to the cheers of Tories.

There were further cheers for the Father of the House, Sir Bernard Braine, who is also standing down.

Mr Banks, a wildlife campaigner, presented the Speaker with a toy badger, which Mr Weatherill lifted towards the galleries before leaving the chamber for the last time.

The man that will launch more than 5,500 faces

By Gary Mead, Marketing Correspondent

AS Conservative director of communications, Mr Shaun Woodward is responsible for launching what may be the largest poster cam*paign in British advertising history.*

The former BBC producer and director now charged with controlling all aspects of the Tories' press and publicity campaign, has covered nearly 5,500 hoardings with party posters. In the advertising business, a 2,000-site campaign is a huge one, and even a high-profile lager brand was content with 800 posters in a recent campaign.

Mr Woodward's brief is "to put together a full communications strategy for John Major's first general election campaign. That covers *press, television, public relations,* advertising, posters, working out new ways of doing party political and party election broadcasts, opinion polling, direct mail."

"By and large no-one remembers a single Labour party poster from previous elections," he said. "What that shows is not that the Labour party wasn't producing posters; it shows that you can spend money on advertising and not necessarily get results."

Along with that poster campaign will be a drive to keep Conservative *politicians in front of the television* cameras – a grid plan has been drawn up to ensure that a senior cabinet figure appears in each of the main television regions on each campaigning day.

Newspaper advertising is likely to get short shrift. "I have a feeling that double-page spreads don't work in newspapers and Chris Patten shares that view. However, if Neil Kinnock delivers a mistake then we might capitalise on that with a press ad the next day."

But in commercial advertising all *that can be demonstrated is a corre*lation between advertising and sales – increased sales seem to coincide with increased advertising, though no causal relationship can be demonstrated.

In planning his poster campaign, Mr Woodward is content with the correlation argument – he points to Labour's six-point lead in a Mori poll in January before the Conservative 'Labour's Tax Bombshell' poster hit the streets. By the end of the month, Mori had the Conservatives three points ahead of Labour.

"The political argument was not made by a poster or by advertising but by politicians who had an idea, which was that we must point out very clearly to the electorate what a Labour government would do to the average income tax that most people pay. Advertising was used to put that on the map. If your policies aren't right when you are on the map, you won't win."

Anything less than a public expression of supreme confidence would be shocking, and Mr Woodward does not disappoint: "Running a good campaign *is not just about* having money. It's about being disciplined, coherent and organised.

"In the last few months I think most people regard us as having run the better campaign and I think that's by and large a reflection of the relationship between the party chairman and the prime minister – you couldn't get a sheet of tissue paper between them."

Plaid seeks boost for small shops

PLAID CYMRU, the Welsh Nationalist party, began its election campaign with a call for extra help for small businesses in Wales, **Anthony Moreton writes.**

Mr Ieuan Wyn Jones, MP for the Isle of Anglesey in the last parliament, said the most important economic benefit for the Welsh economy would be the end of the uniform business rate.

"Many small businesses in Wales have been destroyed by introduction of the uniform business rate in 1989. Its arrival saw a massive hike in bills, the final straw for many small shops in our towns."

Mr Wyn Jones called for the Welsh Development Agency and the Development Board for Rural Wales to be given more money to spend on small companies, as well as the setting up of "advice" shops to help smaller businesses with finance and accounting.

SNP sees 40% of vote as mandate to negotiate

By Bethan Hutton

THE Scottish National Party needs the support of 40 per cent of the electorate to win a mandate to negotiate independence for Scotland, Mr Alex Salmond, the SNP leader, said yesterday.

The party calculates that it could win the *majority of* Scotland's 72 seats with 40 per cent of the votes cast on April 9.

This would give the party a moral authority to act on its programme for independence within the framework of the European Community, Mr Salmond said.

He added he was "very confident" that the ICM poll in the Scotsman last week which gave the SNP 28 per cent was right, and that a Mori poll in the Sunday Times, which showed the party on 24 per cent, had got it wrong.

Both polls had showed Labour in the lead with 42 per cent.

He said that in the election of October 1974, the SNP had started with poll ratings of 22 per cent, but had won 30 per cent of the actual vote, which gave it 11 MPs.

The SNP holds five Scottish parliamentary seats. It had 14 per cent of the vote in the 1987 election.

Since then, it has gained Glasgow Govan *from Labour* in a by-election and Dunfermline West through the defection of Mr Dick Douglas, the sitting MP, from Labour.

Mr Salmond, who was launching the SNP's *general* election campaign in Edinburgh, said the party was optimistic of achieving its 40 per cent in spite of the amount of ground it still had to gain.

"The Scottish National Party *enters this election* full of confidence and the will to win. We are not running for a place, we are not campaigning for a hung parliament, we are campaigning for a mandate for Scottish *independence,*" he said.

Mr Salmond said the future of Scotland was the biggest issue in this election campaign, and claimed that the SNP was setting the agenda for all the other parties.

● The status quo in Scotland was not "set in concrete", Mr Ian Lang, Scottish secretary, said yesterday.

Launching a spirited defence of the union in the face of strong support for Scottish home rule, he said the constitution had evolved over the past 12 years.

MANAGEMENT: The Growing Business

Taking everything into account

Charles Batchelor investigates what your bank manager really wants to know

It has been a fraught half hour for the four directors of Pristine Pools. They have been trying to persuade the bank manager to agree to a £70,000 overdraft to help their pool cleaning business get off the ground.

Among their difficulties are the limited funds – just £20,000 – they can put up as share capital and uncertainty surrounding two large local authority contracts they hope to win.

It has not been an easy session. The bank manager has questioned the directors closely on their backgrounds and was reluctant to lend without security in the form of personal guarantees.

Fortunately for the four, the questioning formed part of a training course entitled Survive your Bank Manager, run by the Hertfordshire Training and Enterprise Council.

If it had been a real interview, it seems unlikely that they would have raised the money. In the debriefing session, the "bank manager" said she was annoyed by the argumentative approach of one member of the Pristine team, adding: "They presented their credentials well, but after that they fell apart a bit".

With the banks taking an increasingly tough line on lending to small firms in the present recession, knowing how to get on with your bank manager and how to put a convincing case for funds is crucial. It is clear that some of the 20 participants on the course have problems understanding their real-life bank manager.

"They put you on the spot," says Sarah Maidment, director of Harvee Engineering of St Albans. "They ask you why you haven't brought in certain information when you didn't know they wanted it."

NatWest's latest TV campaign sells the message of caring banking but a visit to the bank needs careful preparation

"The rules have changed," comments Oliver Shannon of the High Barnet-based Printing Company. "You find yourself second-guessing them."

The morning session starts with a look at the question of gearing – the participants are surprised at how, apparently, small changes in interest rates can radically alter an investor's return from a particular investment – before moving on to the crucial area of cash flow forecasts.

These are not difficult to prepare but will be one of the key documents a bank manager will expect to see.

Companies which fall frequently do so after a very good year's trading, warns Peter Phillips, a former chief accountant with British Coal and presenter of the course. "Fast growing companies often run out of cash. They do not realise that cash and profits are not the same thing."

Businesses frequently run into problems because they do not collect on time the money which is owing to them – turnover shoots up but the business is still short of cash to pay wages – but there are other transactions which will affect a businesses cash flow without showing up on its profit and loss (p and l) account.

Buying an expensive item of equipment will have an immediate impact on the cash available in the business but the p and l will only record the amount by which that equipment is depreciated in any year.

Similarly, the p and l will not take into account spending on stock but only the amount used up, which may be smaller.

As part of the Pristine Pools exercise, course participants draw up a 12-month cash flow forecast so as to calculate the size of the loan they will need to ask for. This brings home the implications of a large customer making them wait two months for payment.

A cash flow forecast is a crucial part of any approach to a bank manager, but forms only one of the criteria by which you will be judged, Phillips explains.

Bank managers will normally base their discussion with you on the Campari mnemonic or a similar system. Campari stands for:

CHARACTER
Bank managers are expected to take into account the stability of your personal life and the length of time you have been a customer.

ABILITY
Do you have a successful track record in business and is it relevant to the business you now want to set up? The banks are not renowned for taking a positive view of previous failures.

MARGIN
The rate of interest will reflect the manager's view of the risk.

PURPOSE
The bank will obviously want to know what the loan is for. The manager may have burned his fingers in a particular sector, such as property, or regional office may have set down exclusions.

AMOUNT
The bank will probably not want to lend more than the sum you are putting into the business, but it is also not in its interest for you to start up with too little finance.

REPAYMENT
Will you meet sales forecasts and achieve a large enough margin to repay the loan?

INSURANCE
The bank will usually want security even if the other criteria have been met. This may be fixed against a specific asset or floating against all the assets of the business.

You will probably have to explain these issues to the bank manager but include them in more detail in a written business plan.

This should include projections for sales – broken down by customer and market – as well as cash flow and profit forecasts.

Increasingly, bank managers are looking at financial criteria at the expense of the possibly more subjective elements in Campari-style analysis, Phillips explains.

At the heart of their analysis are certain key financial ratios. Phillips suggests three key figures:

- The acid test. This measures your ability to pay your creditors. Divide debtors and cash by your current liabilities. A result of 1 or more indicates the business has enough cash to pay its outstanding bills.
- Interest cover. This indicates whether you can repay the interest on loans. Divide profits before tax and interest by the interest due. Bankers do not usually like this number to fall below 2.
- Return on capital employed. Divide profits before tax and interest by shareholders funds and loans and multiply the answer by 100 per cent. The figure arrived at should not, over the long term, fall below what could be earned if you left the money on deposit or what you pay in interest.

When the course participants return for their second session with Pristine Pools the simple cash flow forecast has expanded to become a more extensive business plan with details of pricing and promotion policies and forecasts for cash flow, profits and balance sheets.

They put a convincing case to the bank manager who offers to provide what has now become an £80,000 overdraft at 5 per cent above base rate. However, this appears rather expensive to the directors of Pristine Pools, who have a potential corporate backer in the wings, so they retire to think about the bank manager's offer.

Life may have become tough for the small company seeking business but it has not got any easier for the bank manager either.

New Barnes Mill, Cottonmill Lane, Sopwell, St Albans, Herts AL1 2HA. Tel 0727 52318.

HOW THE BANKS SAY THEY WILL TREAT THEIR CUSTOMERS *

(per cent)	Midland	Lloyds	NatWest	Barclays	Bank of Scotland	TSB	Royal Bank of Scotland
Legality & principle	57	14	86	43	50	43	100
Contacts & complaints	50	0	100	50	25	50	100
Charges	86	86	86	86	86	86	86
Borrowing	70	27	53	53	77	44	83
Security	33	33	33	33	50	33	83
Performance monitoring	38	13	26	26	26	25	50
Overall	63	33	63	53	63	48	82

* A rating of the banks' recent business codes by the Forum of Private Business

In a Nutshell

When generosity knows no bounds

As company profits come under pressure, shareholders have begun to question companies which negotiate unduly favourable service contracts with directors.

A director will want to negotiate the best possible package but he or she should be aware of the danger that a contract which is excessively generous may be set aside by a court, warns the Norton Rose M5 Group of legal practices.

Advice on issues affecting executive and non-executive directors is contained in a free 56-page guide.

Contact Linda McGough. Tel 071 283 2434.

Finger on the pulse

A two-day business health check scheme for companies in north-west London has been launched by the Hillingdon and Harrow enterprise agencies. The scheme is intended for two-year old companies with sales of £75,000 to £1m. It involves two days spent analysing management structures, information systems, marketing and cash flow controls and preparing an action plan.

Contact: Malcolm Parr. Tel 081 866 4400. Fee £100.

Degree of help at hand

Managers in smaller companies often lack the time to find out about technical developments which might be of value to them.

Small and medium-sized companies in the north-west will be able to tap into the research and consultancy skills at eight local universities and colleges under an initiative which has been launched by Manchester Business School and Nimtech, a technology centre.

Contact Business Development Centre, Manchester Business School, Booth Street West, Manchester M15 6PB. Tel 061 275 6333.

When a buy-out becomes a sell-out

It is widely acknowledged that managers need professional advice when planning a buy-out, but less often realised that the vendor may also need specialist help.

The directors of large, publicly quoted companies are no less prone to putting unrealistic values on businesses for sale than the owners of private companies.

One listed company gave a buy-out team permission to raise finance, provided their offer was at least £9m.

Three months later, when the buy-out team made an offer of just £5.2m, *the vendor belatedly decided* to appoint a corporate finance adviser.

The adviser's research showed that £9m was not a realistic sum for either a buy-out or even a trade buyer. If the company had taken advice at the outset, it would have rejected the request to prepare a buy-out. The business was ultimately sold to a trade buyer for £6.3m.

This is just one of the pitfalls which can trap the unwary vendor, not used to the rules of the management buy-out market, says Barrie Pearson, managing director of *Livingston Fisher, a London-based acquisitions consultancy.*

Most buy-out teams are unable to match the price which can be offered by a trade buyer, which may often be able to make substantial savings by merging the newly-acquired business with an existing operation. There may, however, be particular circumstances, such as low profits, which make a buy-out the only realistic option.

To find out which type of sale will achieve the best price, vendors must research a short-list of *potential* domestic and overseas buyers.

If this reveals no interest, then the business can be offered to a buy-out team on an exclusive basis and within an agreed timetable.

Trade buyers are often unwilling to make an offer if they know they are in competition with a buy-out team. Even if there is no buy-out offer, it may be worth offering the management team a bonus to co-operate with the sale of the business to another company.

Management teams may not be above using "dirty tricks" to win, Pearson warns. One vendor *suspected that a management team* leaked information to the trade press suggesting it had nearly completed negotiations when they were, in fact, at an early stage. The trade buyers all withdrew giving the managers a clear field.

Vendors should also beware of acting solely on the basis of an oral offer from a potential buyer. One company suspended negotiations with possible trade buyers after the managers made an offer. But the company did not check which institution was to provide the finance and whether the offer had its backing. The institution's *valuation was much lower than* the buy-out team's offer and talks had to be restarted with the trade buyers.

For a buy-out to succeed, the business involved must be self-contained. An electronics subsidiary which was up for sale paid a management charge for the use of the services of group sales offices, the staff of which were employed by the parent company. The financial backers of the buy-out objected at a late stage in the negotiations that the electronics company would not be independent if it still relied on its former parent company's sales force.

Equally, if a company makes a large part of its sales to other group companies, it runs the risk of losing these markets once it is *independent. This may deter* financial backers from supporting a buy-out.

CB

BUSINESSES WANTED

BUSINESS WANTED
Specialized Industrial Components Manufacturing

An established British company with turnover approaching £100 million is seeking to acquire a precision engineering company based in the UK or Continental Europe. The company is engaged in the manufacture of specialized components and systems which are sold worldwide to a range of industry sectors of which automotive, white goods, aerospace, and electronics/telecommunications are particularly important. More than 250 sales engineers sell direct to OEM's in 10 countries.

- We are looking for a company which has

– a niche, proprietary product base
– a product range capable of being sold worldwide
– a sound technological manufacturing base
– a turnover of £2-£10 million

- We offer a marketing platform and a strong capital base for expansion and support

Details please to the Chairman, Avdel plc
Mundells
Welwyn Garden City
Herts AL7 1QB
Tel: (0707) 372624
Fax: (0707) 373490

INSURANCE BROKER REQUIRED
HOME COUNTIES

A rapidly expanding trade association with a large membership and substantial general premium income wishes to acquire a medium sized general brokerage to service and expand its insurance service, preferably in Surrey or Sussex.

Apply to A E Phillips, G M C Services Ltd.,
166 High Street, Lewes, East Sussex BN7 1XU.
Tel: (0273) 478449

South-West London Based Production Company

current t/o exceeding £1m
Active in video and live event for a wide range of UK-based clients seeks similar for acquisition / merger.
Write box H6592 Financial Times
One Southwark Bridge
London SE1 9HL.

Successful
Communications Management Consultancy
seeks to acquire business and staff of
PR or MANAGEMENT CONSULTANCY
(or related business)
with blue chip client list
Need not be currently profitable.
Continuing role for existing directors.
Contact (principals only): Mike Thomas
Corporate Communications Strategy, 9 King Street,
London WC2E 8HN Tel: 071 836 1111

PACKAGING DISTRIBUTOR

Substantial Foreign Investment group looking to acquire small to medium size packaging distributor. Must have an established sales force in the polythene carrier bag market.
Desired location in or within 20-25 miles of London. Interested parties contact Mr R Natas at 58 Acacia Road, London NW8.
Telephone - 071 722 7547 Fax - 722 7349

BUSINESS SOUGHT

International Investment Partnership seeks to purchase 100% of Financial or other Professional Information Business, prefer international clientele, on-line, newsletter or database business considered. Insolvency must not be motive for sale
Write to Box H6858, Financial Times, One Southwark Bridge, London SE1 9HL.

ENGINEERING BUSINESS WANTED

A MAJOR UK PLC SEEKS U.K. BASED ENGINEERING COMPANIES MEETING THE FOLLOWING REQUIREMENTS:
- NUMBER OF EMPLOYEES UP TO 300
- MANUFACTURING COMPANY
WRITE TO BOX NO: H6645, FINANCIAL TIMES, ONE SOUTHWARK BRIDGE, LONDON SE1 9HL

ACQUISITIONS

We are seeking to acquire a majority interest in a manufacturing or services company, with turnover in excess of £500,000, where finance and possibly management experience will improve profitability
Contact:
Ian Fox or John Howden-Richards
White House Group plc
12-15 Hanger Green
London W5 3EW
Tel: 081-566-8900

MANUFACTURING BUSINESS WANTED

Private, offshore company seeks acquisition of a manufacturing company or product line, for development either in the U.K. or abroad. Preference for hi-tech product(s).
Write box H6648, Financial Times, One Southwark Bridge, London SE1 9HL.

QUOTED PUBLIC COMPANY

Public House, Catering, Leisure. Keen to make acquisitions of some significance
Write to Box H6651, Financial Times, One Southwark Bridge, London SE1 9HL.

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With or without losses.
Contact Bill Davies - Walton Group
Telephone: 051 227 5825 or 051 227 5827 Fax: 051 236 2582.

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Special and Ready Made! Fast Service!
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BUSINESS AND ASSETS Of solvent and insolvent companies for sale. Business and Assets Tel 071 262 1164 (Mon - Fri)

DIRECT MAIL LISTS & SERVICES 100'S of ready-made lists immediately available. Suppliers to leading UK companies. Free catalogue. Market-scan, Freepost, Chichester, Sussex. Tel 0243 786711

OFFICE EQUIPMENT

IMPORTANT SALE BY AUCTION

(Bank of Credit and Commerce International Luxembourg - BCCI - Liquidation)

On March 24th, 1992, from 09.00 a.m., in Luxemburg-City (Grand Duchy), 25 C, boulevard Royal, following items will be sold by auction:

Office furnishing, office equipment, computers, special banking equipment and more
Extra charge + 20%
For information and details, please fax to:

Jean-Claude STEFFEN
court bailiff
Esch/Alzette
Gr-D of Luxembourg
Fax number: 010 352 54 18 68

Viewing and registration: Monday, March 23rd, 1992 from 09.00 a.m.

FRANCHISING

MASTER FRANCHISE OPPORTUNITY

WHAT RECESSION?
The world's largest #1 ranked franchise commercial cleaning company is seeking a partner for its UK Master Franchise Rated as the #4 franchise Company in North America and #2 in the fastest growing company category. More than 500 UK prospects have inquired about becoming a franchisee.
For more information call Jani-King 081 8109090 or fax Jerry Crawford in Dallas at 214-991-5723.

BUSINESSES FOR SALE

Touche Ross

INTERCRAFT

The Joint Administrators, I. McIsaac and R. A. Powdrill offer for sale the goodwill, business and assets of the Intercraft Group of Companies involved in the design, manufacture and sale of high quality system office furniture.

- Prestigious client base.
- Experienced design team.
- 3 manufacturing sites, two in UK and one in Denmark.
- 350 employees in UK and Denmark.
- High quality leasehold premises at Heathrow, Trowbridge, Southall and London (Berkeley Square and City).
- "Intercraft" registered trademark.
- Turnover in 1991 £27.5 million.

For further information please contact Sam Radford at the address below.

PO Box 810, Friary Court, 65 Crutched Friars, London EC3N 2NP.
Tel: 071 936 3000. Fax: 071 480 6958.
DRT International
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Touche Ross

Bristol Diecasting Co. (1981) Ltd
(In Administrative Receivership)

The Joint Administrative Receivers, R.G. Ellis and A.M.D. Bird, offer for sale the business and assets of the above company located at Hanham, East Bristol.

- Principal business – production of non ferrous castings.
- Freehold property approx. 45,000 sq. ft.
- Plant and machinery includes furnaces, pressure and gravity casting equipment and machinery shop.
- Turnover approx. £2.5m p.a.
- 85 employees.
- Blue Chip customer base.

For further information please contact J. Reid or C. Trigg at the company on 0272 679477 or alternatively at the address below.

Blenheim House, Fitzalan Court, Newport Road, Cardiff CF2 1TS.
Tel: 0222 481111. Fax: 0222 482615.
DRT International
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LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
JONATHAN J. SCHAPIRA A.C.A. & KEITH D. GOODMAN F.C.A.
IN THE MATTER OF

CLADCOLOR PROFILES LTD

Offers are invited for the assets business & stock of this steel strip profiling company. The company specialises in slitting, coil coating & profiling of roll formed roof and wall claddings profiles.
Located in large freehold premises at Whitehead Estate Docks Way Newport Gwent. The company has 75 employees - a substantial order book and has been engaged in up-dating procedures giving it increased capacity. In addition there is an excellent quality laboratory, the products are quality assured and regulated under No. BS5750/IS9002 and it's products are held in high regard by Industry.
Turnover Approx. year end Sept. 1990 £18 Million
Sept. 1991 £13 Million

Further information please contact:
Leonard Curtis & Co, Chartered Accountants,
30 Eastbourne Terrace, London W2 6LF
Tel: 071-262 7700 Fax 071-723 6059
REF: 11 / NK

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
DAVID SWADEN FCA & DERMOT J POWER FCA
IN THE MATTER OF
HAYHOE & NASH (WIRRAL) LIMITED T/A

DUNDORAN NURSING HOME

Offers are invited for the business and assets of the above company.
- Well established nursing home.
- Freehold property in affluent area.
- Current annual fee income in excess of £350,000.
- Registered for 33 patients.

Enquiries should be addressed to Ges Ratcliffe at:
Leonard Curtis and Partners, Chartered Accountants
Peter House, Oxford Street, Manchester, M1 5AB
Tel: 061 236 1955 Fax: 061 228 1929

Latham Crossley & Davis

The Joint Administrative Receivers
DAVID WOOD FCA and PETER S. DUNN FCA

Offer For Sale the Business, Assets and Goodwill of a

3 STAR SHROPSHIRE HOTEL
on 1.25 Acre Estate

A period Manor House (circa 1800s) with 14 rooms with planning permission for extending to 30.
3 Function rooms, including a quality English cuisine restaurant.

Enquiries to: DAVID WOOD **Latham Crossley & Davis**
Arkwright House, Parsonage Gardens, Manchester M2 2LE

Commercial Vehicle and Petrol Sales

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Commercial Services (Willenhall) Limited, Commercial Services (West Bromwich) Limited and Marc Lyndsey Limited (trading as The Wishing Well Petrol Station).

Commercial Services (Willenhall) Limited

Principal features include:
- Commercial vehicle showroom site
- Possible alternative use including retail development
- Main road site
- Close proximity to Junction 10 of M6 Motorway

Commercial Services (West Bromwich) Limited

Principal features include:
- Commercial vehicle showroom site
- Facility for conversion of light commercial vehicles to minibuses/refrigerated vans

Marc Lyndsey Limited

Principal features include:
- Excellent location on the main A51 truck road
- Substantially completed motel/roadside diner

For further information contact the Joint Administrative Receivers, Mark Hopton or John Wheatley, KPMG Peat Marwick, 2 Cornwall Street, Birmingham B3 2DL.
Tel: 021 233 1666. Fax: 021 233 4390.

KPMG Corporate Recovery

Lynx Cars Limited

The Joint Administrative Receivers of Lynx Cars Limited offer for sale the business and assets of this internationally renowned specialist car company based in St Leonards, East Sussex.

Principal features include:
- Manufacturer of the acclaimed Lynx 'D' Type
- Designer and Manufacturer of specialist conversions, including the Lynx Eventer Estate Car
- Restorer of historic racing cars
- Automotive design and development consultants
- Modern, well-equipped workshop/office building
- Highly skilled workforce of 30
- Blue chip customer base

Lynx

For further information contact the Joint Administrative Receivers, Peter Beirne or Stephen James, KPMG Peat Marwick, Astral Towers, Betts Way, Gatwick, West Sussex, RH10 2XA. Tel: 0293 652000. Fax: 0293 652100.

KPMG Corporate Recovery

STRUTT & PARKER

ON THE INSTRUCTIONS OF MR. A. KATZ
ARTHUR ANDERSEN LPA RECEIVERS

STAVERTON PARK HOTEL AND GOLF COURSE

Daventry 1/2 mile, M1(J16) 12 miles, Northampton 15 miles

- 18 hole championship Golf Course and full Clubhouse facilities constructed 1978
- 50 bedroom Hotel constructed 1989/90 with 2 years trading records
- 70 cover Restaurant
- Substantial Conference facilities
- Planning consent for 55 bedroom Hotel extension and Leisure Centre
- About 125 acres

London Office: 13 Hill Street, W1X 8DL. Tel: 071 629 7282
Market Harborough Office: The Paddocks, 41 High Street, Leics. LE16 7NL. Tel: 0858 433123
Ref: 1BF50845

"Coconuts"

The Joint Administrative Receivers offer for sale an animation series, "Coconuts" the creation of an established animation producer, Wireless Pictures Limited.

- Previously screened on the ITV Network and other worldwide territories including the USA.
- Planned rescreening on British television in 1993.
- Worldwide orders totalling approximately £200,000 in place.
- Storylines and animation slides available for a further thirteen episodes.

For further details please contact Peter Powell, the Joint Administrative Receiver, or Gary Sturgess at Stoy Hayward, Foxhall Lodge, Gregory Boulevard, Nottingham NG7 6LH.
Tel: 0602 626578 Fax: 0602 691043.

STOY HAYWARD
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Appear in the Financial Times on Tuesdays, Fridays and Saturdays.
For further information or to advertise in this section please contact Melanie Miles on 071 873 3308

BUSINESSES FOR SALE

The Scanperfect Group

The Joint Administrative Receivers offer for sale the business and assets of these two operations which form the Scanperfect Group.

Principal features of these businesses include:

Giesen & Wolff Limited

- long established wholesale greetings card publisher
- freehold factory and office of 45,000 sq. ft. in Northampton
- direct representation sales team cover over 300 outlets in the UK and Eire with total sales around £3m per annum
- substantial export business
- well known brand name, order book and substantial stocks of everyday and Christmas cards
- highly skilled work-force available
- hot-foiling and wrapping machines.

Packaging Machinery Manufacturer/Distributor

- well known brand name
- experienced management and skilled workforce
- turnover of £3.5m per annum
- operating profits in excess of £200,000 per annum
- blue chip customer base
- substantial order book.

For further information, please contact Robin Addy, Joint Administrative Receiver, or Nigel Rockham at Cork Gully, Mount Pleasant House, Huntingdon Road, Cambridge CB3 0BL.
Telephone: (0223) 313611. Fax: (0223) 462111.

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Cork Gully

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS DAVID SWADEN FCA & DERMOT J POWER FCA

IN THE MATTER OF

MOORSIDE HOTEL & LEISURE CENTRE

Offers are invited for the business and assets of the above company.

- Outstanding views of the Cheshire Plain and Pennines.
- Rural setting in 200 acres of moorland.
- 96 well appointed bedrooms, all en suite.
- 2 excellent a la carte restaurants.
- Conference facilities for up to 300 delegates.
- Popular venue for wedding receptions and dinner dances.
- Annual Turnover £2 million approx.
- State of the art computerised gymnasium and leisure complex.
- 60 ft. indoor heated swimming pool.
- Steam room, dry heat room, solarium, sauna and jacuzzis.
- 2 glass backed squash courts, table tennis, tennis and archery facilities.
- 9 hole par 3 golf course.
- Snooker and pool room, beauty salon and leisurewear shop.

Enquiries should be addressed to Ges Ratcliffe at:
Leonard Curtis and Partners, Chartered Accountants
Peter House, Oxford Street, Manchester, M1 5AB
Tel: 061 236 1955 Fax: 061 228 1929

GLASS MERCHANT AND WINDOW MANUFACTURER

Pearce and Cutler Glass Services Limited
Pearce and Cutler Windows Limited

The Joint Administrative Receivers offer for sale the business and assets of these companies.

Principal features of these businesses include:

- turnover of £7.5m per annum
- well established customer base
- freehold premises located in Aston, Birmingham within easy reach of motorways
- staff of 130
- established for over 175 years.

For further information please contact Ian Carruthers at Cork Gully, 43 Temple Row, Birmingham B2 5JT. Telephone: 021 236 9966 Fax: 021 200 4040.

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Cork Gully

ARCHITECTURAL METALWORKERS

GJS Fabrications Limited

The Joint Administrative Receivers, D J Carney and D R Wilton, offer for sale the business and assets of this architectural metalwork manufacturer.

Principal features of the business include:

- prestigious customer base
- turnover £1.2 million
- leasehold premises totalling 10,000 sq ft
- based central Birmingham.

For further information and sales particulars contact The Joint Administrative Receivers or their Manager, Jon Moiendo at Cork Gully, 43 Temple Row, Birmingham B2 5JT.
Telephone: 021 236 9966. Fax: 021 200 4040.

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A THRIVING AND SUBSTANTIAL RESIDENTIAL CARE & NURSING HOME

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As a going concern

- Dual Registration for 102 Residents
- 95% occupancy level
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- Set in beautiful secluded grounds of 23 acres

Ref: MG/RBS

HENRY BUTCHER
50/51 HIGH HOLBORN LONDON WC1V 6EG
071-405 8411

MOTOR DEALERSHIP AND PETROL RETAILER

Peter Durrant Limited

The Joint Administrative Receivers offer for sale the business and assets of this substantial motor dealership which has good potential for development and significant forecourt volume increases.

Principal features of the business include:

- turnover of circa £6m per annum
- potential petrol throughput in excess of 1 million gallons per annum
- large freehold premises based in Church Crookham, near Fleet, Hampshire
- full vehicle servicing and repair facilities
- skilled workforce.

For further information, please contact J M Iredale or N J Vooght at Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG. Telephone: (0734) 500336. Fax: (0734) 607700.

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Cork Gully

Scot Graphics Ltd
(Colchester)
Scot Richards Ltd
(Norwich)
Scot Graphics (TDOC) Ltd
(Northampton)
(In Receivership)

The above companies are retailers of office furniture, drawing office equipment, commercial stationery and print supplies.

- Well established business
- Combined annual turnover c£1.7m
- Extensive customer base
- Strategically located leasehold premises

For further details please contact the Joint Administrative Receiver: Andrew D Conquest, Grant Thornton, Crown House, Crown Street, Ipswich, Suffolk IP1 3HS.
Tel: 0473 221491
Fax: 0473 230304

Grant Thornton

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MODULAR ROBOTIC SYSTEMS MANUFACTURER

FOR SALE

CROCUS LIMITED
(in Receivership)

Launched in 1987, the company produces robotic systems incorporated in products of Original Equipment Manufacturers, used by System Builders and End Users from design and build to commissioning in a wide range of industrial applications. The company is based at Bredbury, Stockport, near Manchester.

For further particulars contact the Administrative Receiver:

Edward Cook
Hacker Young & Partners
St James Building
79 Oxford Street
Manchester M1 6HT
Phone: 061-236 6936
Fax: 061-228 0117

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EAST ANGLIA
Old established firm for sale. Well spread and expanding industrial and commercial account plus personal lines. Considerable life pensions and investment business. Ideal opportunity for larger broker to expand into this developing part of the country.
TOTAL BROKERAGE, FEES ETC INCOME 1991 £400,000 approx.
Senior partner retiring but existing management to be retained.
Enquiries to Box No. H6618, Financial Times, One Southwark Bridge, London SE1 9HL.
IBRC FIMBRA APT

MOTOR DEALERSHIP

Baker and Spencer Limited

The Joint Administrative Receivers offer for sale the business and assets of this company based in Brockenhurst, Hampshire.

Principal features of the business include:

- turnover of circa £2m per annum
- freehold workshop, showroom and car display area
- well equipped facilities
- separate freehold residential accommodation.

For further information, please contact J M Iredale or N J Vooght at Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG. Telephone: (0734) 500336. Fax: (0734) 607700.

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Cork Gully

ORCHARD PARK

The Joint Administrative Receivers offer for sale the business and assets of this printer and manufacturer of giftwrap and associated products.

- Turnover in 1991 approximately £900,000.
- Current order book in excess of £500,000.
- Potential turnover in 1992 exceeds £1.5 million.
- Freehold property in Hetton-le-Hole, Co Durham, extending to 29,000 sq ft.
- Experienced management and national sales force.

Enquiries to: AE James, Price Waterhouse, 89 Sandyford Road, Newcastle-upon-Tyne NE99 1PL. Telephone: 091-232 8493. Fax: 091-261 9490.

Price Waterhouse

SALMON FARM
FOR SALE
as a going concern in the Western Isles of Scotland
Production 700-1000T per annum attainable and business is fully integrated.
For further details telephone 0851 705851 or fax 0851 705280

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TEL: 081 558 1499 FAX: 081 558 6599

TRANSFLEX LIMITED
HEAT TRANSFER PAPER MANUFACTURER
BRISTOL

The administrative receiver offers for sale the business and assets of Transflex Limited

- Established in Bristol in 1980
- Well maintained plant and equipment including:-
  - Single to six colour flexographic presses
  - Eight colour gravure press
  - Proof presses
- Large design library
- 30.000 square feet of modern long leasehold premises available
- Annual turnover over £2 million
- Excellent worldwide customer list

For further information please contact the administrative receiver, David Exell, of Bishop Fleming, 1 Barnfield Crescent, Exeter, Devon, EX1 1QY.
Tel: 0392-78436 Fax: 0392-413617

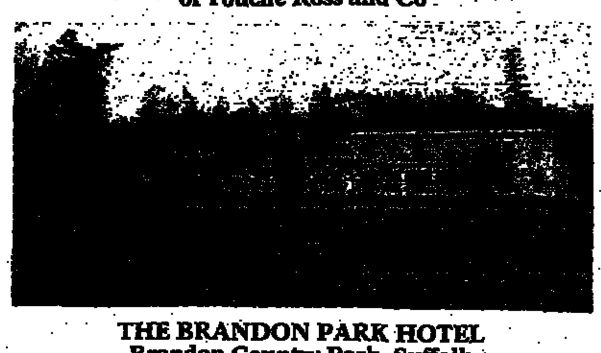
BISHOP FLEMING

ELECTRONICS MANUFACTURER FOR SALE

- Own products with very high reputation for reliability and technical specification
- Turnover £700K plus
- Gross profit 45%
- Low overheads
- Easily absorbed into another electronics company
- Based South Midlands but relocatable

Reply to Box Number H6652, Financial Times, One Southwark Bridge, London SE1 9HL

On the Instructions of the LPA Receivers
NJ Dargan Esq. and AR Houghton Esq.
of Touche Ross and Co



THE BRANDON PARK HOTEL
Brandon Country Park, Suffolk

Magnificent 32 bedroom country house hotel. All bedrooms with en suite facilities. 2 bars, 2 functions/banqueting rooms (150 theatre style). Restaurant (40) and leisure centre. Superb setting in refurbished and extended Regency mansion. Lightly traded.

All offers considered around £750,000 freehold.
Ref. 14/43760

For further details contact:
TIM GOODING, Ipswich Office on 0473 256588

CHRISTIE & Co

ENGINEERING BUSINESS

For sale as a going concern. Turnover £1.5M. Excellent products developed by Directors over the past 5 years. Excellent customer list. In the capital goods area, high technology equipment can compete with largest manufacturers, temporary orders shortage forces sale. East Midlands based.
Call or write to J E Hamilton, Jobtel Ltd, 10 Chimes Meadow, Southwell, Notts NG25 0GB.
Phone 0636 815265 or fax 0636 815828.

Licenced coal mine for sale
Current output 47,000 tonnes per annum. Specialised smalls contract.
Excellent price for domestic coal.
Reserves in excess of 4 million tonnes.
For details apply to box H6638, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE
Small, efficient dry transfer and proofing business with excellent potential
T/O 1992-93 £150K, PBT £30K+
Self-contained building, 110 year lease
City of London
Write to Box H6644, Financial Times, One Southwark Bridge, London SE1 9HL.

CHILDCARE
Exciting Opportunity to Acquire Ownership of Internationally Known Company with a Reputation for Outstanding Quality
Principals Only to Box No H6657, Financial Times, One Southwark Bridge, London SE1 9HL.

Private individual with substantial sum to invest seeks share in well-run Hotel in London area
Box No. H6647, Financial Times, Southwark Bridge, London SE1 9HL.

FOR SALE

Prestige video rental shop in superb *primary* location on Kings Road, London SW3

Current turnover £95,000 p.a. Profits £35,000. Would suit owner - occupier. Price £80,000

Write Box H6662, Financial Times, One Southwark Bridge, London SE1 9HL

FT LAW REPORTS

No tax relief on magical loss

ENSIGN TANKERS (LEASING) LTD v STOKES
House of Lords
(Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Goff of Chieveley, Lord Jauncey of Tullichettle):
March 12 1992

A PARTNERSHIP which enters into a tax avoidance scheme, with the object of obtaining first year allowance for expenditure on plant, is entitled to allowance in respect of that part of the transaction which can plainly be identified as a trading transaction, but not for that part which has the apparently magic result of creating a tax loss where there was no real loss.

The House of Lords so held when allowing an appeal by Ensign Tankers (Leasing) Ltd from a Court of Appeal decision *(FT, February 6 1991)* to refer the case back to Inland Revenue Commissioners to weigh the fiscal and *non-fiscal* elements of a transaction and to decide whether, having regard to the parties' paramount motive, it was a device to secure a fiscal advantage or was a genuine trading activity.

Section 41(1) of the Finance Act 1971 provides: "... where (a) a person carrying on a trade incurs capital expenditure on ... plant ... for the purposes of the trade, and (b) ... the ... plant belongs to him at some time during the chargeable period ... there shall be made to him an allowance ... (referred to as a first year allowance) ..."

LORD TEMPLEMAN said that in March 1980 Lorimar Productions Incorporated (LPI), a Californian company, embarked on production of a film called Escape to Victory.

Guinness Mahon, a merchant bank specialising in tax avoidance schemes, persuaded Ensign and four other British companies to participate in a scheme whereby they would contribute $3.25m to the cost of the film in return for 25 per *cent of the exploitation* receipts.

The scheme was a single composite transaction embodied in 17 documents, all of which were dated July 14 1980.

Under the scheme a partnership agreement was made between Victory Film Productions Ltd as general partner and the five British companies as limited partners. Victory was a wholly owned subsidiary of LPI.

The partnership's capital was $3.25m contributed by the limited partners, including $2.378m contributed by Ensign. Management was in the hands of Victory.

The partnership was granted worldwide exploitation rights by LPI, which was to make the film in Hungary, and transferred them to two distributors who were LPI subsidiaries. It put £3.25m into the production and borrowed £10.75m from LPI towards production and *completion. LPI was to have no* recourse against it for repayment.

The distributors were to pay *LPI 75 per cent of the exploita*tion receipts, and to pay the partnership 25 per cent up to £3.25m; then 100 per cent to *LPI up to the cost of its loans;* and then 25 per cent to the partnership, 75 per cent to be retained by the distributors.

The cost of the film was $14m, and was borne as to $3.25m by the partnership and as to $10.75m by LPI.

In the tax year 1980 to 1981 the partnership incurred capital expenditure of $3.25m in the provision of "plant", namely the film. The negative belonged to the partnership, subject to the distributors' exclusive exploitation rights. It also owned 25 per cent of the exploitation receipts.

The partnership therefore fulfilled the conditions necessary to generate a first year allowance of $3.25m under section 41 of the Finance Act 1971, provided the expenditure was incurred "for the purposes of the trade".

By section 155 of the Corporation Taxes Act 1970, the benefit of any first year allowance generated by the partnership accrued to Ensign and the four British partners in the proportions in which they contributed to its capital. Ensign, having contributed $2.375m, was entitled to first year allowance of $2.375m.

Ensign claimed the partnership had generated a first year *allowance of $14m, being the* total cost of the film.

That was rejected by the commissioners on the ground that the partnership was not carrying on a trade but was carrying out a device to avoid tax.

Mr Justice Millett disagreed and decided that the partnership's *activities constituted the* trade of making and exploiting films. He decided it had incurred $14m capital expenditure for the purpose of section 41 of the 1971 Act *(FT, July 28 1989)*.

The Court of Appeal reversed his decision, but referred the dispute back to the commissioners to decide whether the partnership was or was not trading.

Ensign now appealed and asked for Mr Justice Millett's *order to be restored.*

The parties agreed that the 17 documents of July 14 were interdependent, and constituted *one single composite* transaction, which was a tax avoidance scheme and must be read as a whole.

The non-recourse nature of the borrowing ensured that LPI paid the whole cost of the film exceeding $3.25m, and that the partnership would not be liable for the cost in excess of $3.25m.

The scheme involved exploitation of British capital allowances for the making of a foreign film.

Mr Gardiner submitted that a taxpayer might enter into any transaction in any form he pleased, and the court was confined to that form and could not consider the substance of the transaction.

The Revenue appeared to look upon tax avoidance as a corporate cancer which infected and destroyed any fiscal effect advantageous to the taxpayer.

In *Ramsay v IRC [1979] 1 WLR 973,979,328* where the taxpayer entered into transactions to match an allowable loss against a non-chargeable gain, a claim for capital gains tax was disallowed because "the true view, regarding the scheme as a whole, was to find that there was neither gain nor loss".

In the present case the true view, reading the scheme as a whole, was that the partnership expended $3.25m.

In *Ramsay* Lord Fraser referred to the "apparently magic" result of creating a tax loss that was not a real loss.

The present scheme had the apparently magic result of creating for tax purposes an expenditure of $14m, while incurring *a real expenditure of* only $3.25m. The additional $10.75m was really incurred by LPI.

The commissioners felt bound to ignore beneficial fiscal consequences *because the* paramount object of the scheme was fiscal. In the Court of Appeal Sir Nicolas Browne-Wilkinson V-C said if the "sole" object was fiscal advantage, it was not a trading transaction.

The principles of *Ramsay* and subsequent cases did not compel or authorise the court to disregard all the fiscal consequences of a single composite transaction read as a whole, on the ground that it appeared *the transaction was a tax* avoidance scheme.

Neither the commissioners nor the courts were competent *to decide whether there was a* sole object or paramount intention to obtain a fiscal advantage, nor to weigh fiscal intentions against non-fiscal elements.

The commissioners' task was to find the facts and to apply the law. The *facts* were undisputed and the law was clear.

The partnership expended $3.25m capital for the purpose of producing and exploiting a commercial film. That was a trading activity. Expenditure for that purpose was a trading purpose. *By section 41 of the* 1971 Act, capital expenditure for a trading purpose generated first year allowance. The section was not concerned with the purpose of the transaction, but with the purpose of the expenditure.

The principles of *Ramsay* and subsequent authorities did not apply to the $3.25m, because that was real and not magical expenditure by the partnership.

A trading transaction could plainly be identified and could have resulted in either a profit or a loss.

The expenditure was real. The receipts were real. The partnership was entitled to a first year allowance equal to the expenditure. The receipts imposed on the partnership a corporation tax liability.

The apeal was allowed. Their Lordships agreed.

For Ensign: John Gardiner QC and Jonathan Peacock (Belmont & Lowe, agents for Hugh James Jones & Jenkins, Cardiff).

For the Crown: Christopher McCall QC and Launcelot Henderson (Inland Revenue solicitor).

Rachel Davies
Barrister

Home grown talent

Teleworking is often viewed as a cottage industry carried out by women in the middle of the Oxfordshire countryside or the Scottish highlands.

But working from home, using a PC linked by a phone line to the company head office, is now practised by more than one in eight firms, according to a survey carried out by the National Computing Centre (NCC) and the Which Computer? Show.*

The main benefit of teleworking is increased productivity, say business converts to the scheme. Nearly three quarters of companies employing teleworkers cited it as one of the big benefits.

But increased productivity is often overlooked by companies that have not taken the plunge. Only 43 per cent of those not employing teleworkers foresaw this advantage.

Reduced costs also ranked high on the list of benefits according to companies using teleworking. Surprisingly, says Bill Murray, head of the communications and security division of NCC Consultancy, few companies that practised teleworking found that there were hidden costs involved.

The other big advantage of teleworking is that it enables companies to retain skilled staff – particularly in jobs related to the IT sector. The most enthusiastic converts to teleworking among the 500 members of the NCC which responded to the survey were companies in the IT field. However, the most popular teleworking jobs were in sales, as well as those involving IT.

Companies in the south of England as well as those employing more than 1,000 staff also took to teleworking most enthusiastically.

The biggest disadvantage was the loss of face-to-face contact with staff. The kind of people to benefit most from teleworking, says Murray, would be "evolutionary, proactive types".

Della Bradshaw

**Teleworking in the UK, available from the NCC, Oxford Road, Manchester, M1 7ED.*

Link keeps IT close to its chest, says **Ian Holdsworth**

Game of cards

A team of tired volunteers with plastic cards in their hands ventured out into UK high streets in the small hours of a winter's morning in 1987. At 5am they took up their positions at cashpoint machines throughout the country and prepared to take out cash.

At the headquarters of Link, the cashpoint company that unites 34 banks and building societies, operators watched their screens for the first test transactions, which would signal the addition of Co-operative Bank to the network.

But things did not go according to plan. Seconds before the first transaction was due, an early-rising member of the public, keen to try out his new card, beat the official swipers to the draw. "We were surprised and pleased," says Trevor Jenkins, general manager of technology at Link Interchange Network. "It's good to be that much in demand."

Since the Link network started in 1986 with four main members and 14 smaller ones, it has grown rapidly. A stream of banks and building societies joining the network has taken the total of automated teller machines (ATMs) to more than 5,500, boosted in 1989 by a merger with Matrix, a rival UK network. Last year, despite the recession, Link handled about 45 per cent more transactions than in 1990.

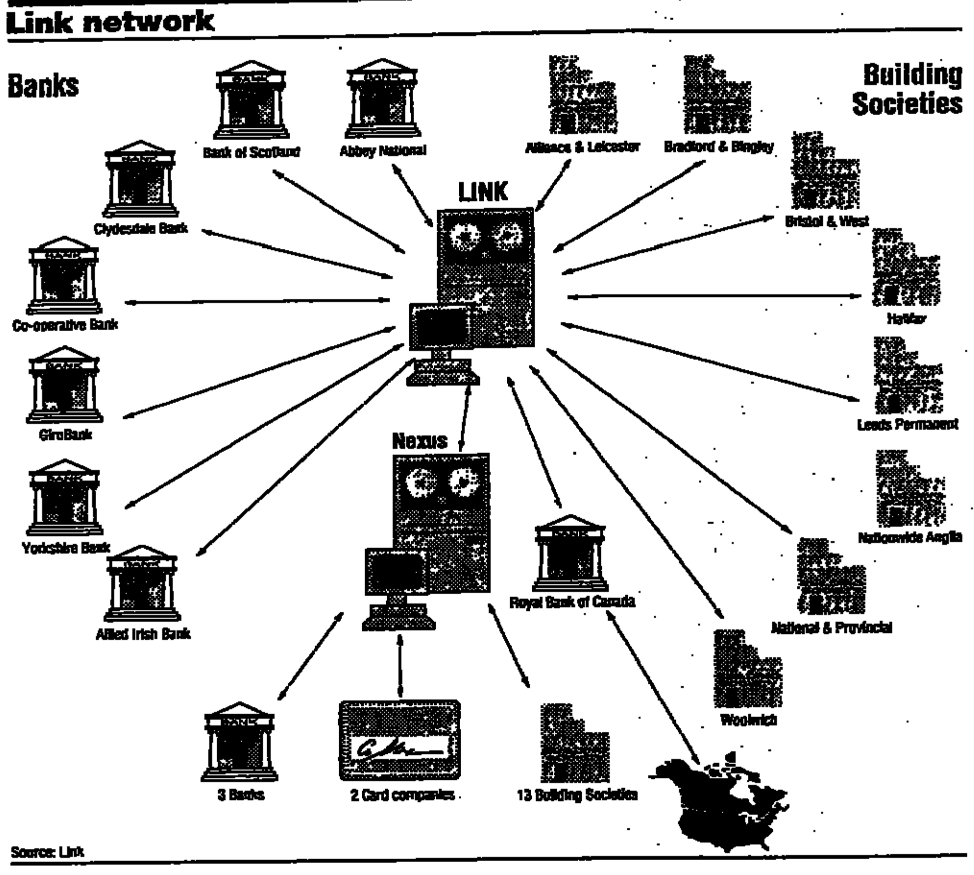
Such rapid growth has forced Link to reconsider the computer and telecommunications technology that underpins its business. When the network started, Link brought in British Telecommunications to run the technical side. "At the time it was the right choice to help us set up the network," says Jenkins.

But five years later, Link came of age. Last summer, in a move that bucked the trend for companies to contract out their computing to facilities management (FM) suppliers, Link brought the whole operation in-house at a cost of £7.5m.

It moved its headquarters and the hub of the network away from BT in London to a new centre in Harrogate, West Yorkshire and installed the lastest computer hardware from Tandem, the US supplier of fault-tolerant computers. At the same time it set up a duplicate site in Leeds for disaster recovery and established a new telecommunications infrastructure between Link and its members, many of whom are also in Yorkshire. It recruited 20 staff to run the system.

First among its reasons was the fundamental role of technology in Link's business.

Link network



Source: Link

Being non-profit making, Link has no ATMs of its own. But it connects those of its members through a central electronic switch. This allows Abbey National card holders, for example, to withdraw cash from a Nationwide ATM, or a Girobank account holder to get a bank balance from a Leeds Permanent machine. Up to 40 transactions a second cross between the institutions through Link's central computer running a software package called Connex from Deluxe Data Systems of the US.

"This switch is our core business," says Jenkins. "We only have this one application. Our whole reason for being here is to do ATM switching."

Bringing control in house has simplified matters and shortened the chains of command. Link computer operators now talk directly to their counterparts at all the Link institutions. They also deal directly with the hardware and software suppliers which used to be subcontractors to BT.

"We had a very close relationship with BT in the early days," says Jenkins. "Then the relationship became more formal and we were finding ourselves more remote from what was happening. As you go on, contracts tend to become more formalised, less flexible and it's more difficult to introduce changes."

Link calculates that it is running the switch more cheaply than BT did. The move in house was conceived as a five-year project and Link expects it will have more than recouped its investment at the end of that time. Later this year it plans to cut by one or two pence the fee that its members pay each time a transaction goes through the switch.

It was July 1990 when the Link board, comprising 23 representatives from the member institutions, voted to bring the computing in house. But before this Link was already considering setting up a second switch to use in the event of a disaster at the first.

"Our service has become critical to the institutions and we were under more and more pressure to provide disaster recovery," says Jenkins.

Disaster recovery is an expensive form of insurance which involves duplicating the entire network – all the hardware, software and telecommunications links. One way of lessening the cost is to share disaster recovery with other companies on the basis that only one company is likely to have a disaster at a time. Link considered sharing disaster recovery with other BT clients.

"It turned out that BT couldn't offer that," recalls Jenkins. "They didn't have anything to share, so they were looking at setting up a second site for us. But we realised the costs were going to be much the same whether we did it or BT did it. And then our thinking moved on – if we were going to set up a disaster site, then perhaps we could run the primary system ourselves as well."

Now with two sites of its own, and one of them used only for testing and development, Link is itself considering offering a disaster recovery service to other companies.

But this is long term. In the meantime it wants to stretch the Harrogate centre to its full potential. The new Tandem Cyclone hardware installed there more than doubles the power previously available. The Cyclone took over the network from BT for two short tests last July. The third test in August was so successful that Link decided not to hand the network back. "The most dangerous part was actually transferring the system from one site to the other – so, as everything was working well, it made sense to keep the system," says Jenkins.

Link is now looking at connections with European cashpoints. It already has a gateway into Plus System, a big North American network. There is also room left for growth in the UK, says Jenkins. Link wants more people to use their cards in machines that do not belong to their own bank or building society.

The range of services could also be enlarged. At present, Link is the only UK operator whose ATMs offer balance inquiries across a network of institutions. Other services such as statement ordering and being able to change a personal identification number are already offered by some individual Link members in their private networks but are not carried across Link's switch.

Long-term, the Link network could be used for far more than connecting cashpoints. In theory it could pass any kind of electronic information between Link's member banks. The institutions already use similar electronic networks for direct debiting and clearing cheques, but Link has its eye on other possible applications including the transmission of structured documents from member to member using electronic data interchange.

"There's the potential for us to do that," says Jenkins. "But first we have to find some data to exchange."

Put designers in the driving seat

By John Griffiths

Even while the mainstream UK motor industry was gazing happily into its cap at last week's Budget largesse, politicians and government *apparatchiks* began listening to another round of industry pleading.

This time it came from a much smaller and highly specialised sector; but one which has been consistently successful and, in contrast to the rest of the motor industry, operates an external trade surplus out of all proportion to its size.

The setting for this encounter was the Motor Industry Research Association's complex at Nuneaton, in Warwickshire. On Friday, government officials were given a lecture on the UK's independent automotive engineering and design sector, and why it deserves help from government.

The field now employs around 5,000 designers and engineers whose talents lurk beneath the bodywork of a large number of cars from manufacturers more likely to be based in Germany, Japan or South Korea than in Longbridge or Luton. Though most have built strong technology bases, their culture still remains intuitive.

This grade of talent has led British racing car designers and manufacturers to dominate the motor sport industry. In the past decade or so, in the eyes of many, UK designers and engineers have overtaken the Italians and are mounting a strong challenge to the best the Germans have on offer. (Indeed, if you could look down the employment roll of the design and engineering departments of Opel, Volkswagen/Audi and Porsche, British workers would be found in large numbers.)

Yet despite this, UK consultancies have consistently been better at designing and engineering than at selling themselves. There are exceptions. John Shute, chairman and founder of Worthing-based International Automotive Design, gave high priority to becoming a master salesman, for example, in taking his company from a £250,0000 turnover in the late 1970s to its current status as a consultancy industry giant turning over many millions.

TECHNICALLY SPEAKING

The fact remains, however, that the sector's seeming inability to talk constructively within itself without prejudicing commercial confidentiality has led to many missed opportunities.

Lots of plaudits, therefore, to the Society of Motor Manufacturers and Traders (SMMT) in at last bringing the big companies together into a cohesive body, formally entitled the Design Engineering Group, and organising the Nuneaton meeting to tell politicians and senior civil servants about it.

The teach-in was focused heavily on export prospects; not just for the consultancy industry, but for the UK equipment, component and other supply industries which stand to benefit from their efforts. For, as SMMT chief executive Sir Hal Miller pointed out, the designers of new vehicles can exert a significant influence on the eventual sourcing of tooling, component supplies, test equipment and so on.

So what, specifically, does the industry want from Whitehall and Westminster?

The shopping list is relatively modest: greater assistance through grants, tax relief or soft loans for the capital investment which many of the companies are making two or three times faster than much of the mainstream motor industry.

The group would like greater official support, and better intelligence of official UK missions to overseas territories. It would like to see more flexible support in terms of the number of people qualifying for support on such missions, and more missions – and return missions – to more places. Whichever government is in power after April 9, it should listen hard to a strong case.

ARTS

The forgotten expressionist

William Packer reviews Otto Dix at the Tate and in Edinburgh

With the full retrospective study of the German painter, Otto Dix, which has come to the Tate Gallery from Stuttgart (where it was organised) and Berlin, and the coincidental exhibition at the Scottish National Gallery of Modern Art, Edinburgh, of his works on paper in the collection of the Dresden Print Room, again covering his full career, we may at last see clearly the life's work of this important artist.

It is not so much that Otto Dix alone, but that a whole generation of German artists was all but forgotten, except for its work of the brief, hectic period of the Weimar Republic. The social and satirical expressionism of George Grosz and Max Beckmann, and of Dix himself, was known well, but of what else they and their contemporaries achieved over full working lives we knew little and saw less.

Yet Grosz and Beckmann lived on until 1959; Schlichter until 1955; Hubbuch and Schad well into the 1960s; and Dix himself until 1969. Not until quite recently, through such revisionist shows as the Arts Council's *Neue Sachlichkeit* of 1979, *Les Réalismes* at the Centre Pompidou in 1982 and similar exercises, did it become apparent that the story was somewhat more rich and complicated.

Was such critical myopia more convenient than real? Many of those artists had gone into exile after the rise of Hitler to power; and quite as many remained at home. Only by luck did no artist of manifest distinction emerge from the Nazi period. Even so, the Royal Academy's survey of German art in the 20th century left a large hole that the 1930s and '40s should have filled. Political correctness is new only in name.

Dix was one who remained in Nazi Germany, an internal emigrant, taking his family off to the country, eventually settling at Hemmenhofen near Lake Constance. He was called up at the age of 53 to serve through the last desperate months of the War, and in April 1945 was taken prisoner. On his release he returned home to what was now East Germany and to life under communism. While to him, with his bleakly misanthropic cast of mind, it would seem all one, to the world at large such resignation might well seem acceptance of more positive a sort. As an active artist Dix all but disappears from view, except in his own country. There the influence of his coded symbolism of the Hitler years has proved itself potent still, and unmistakeable.

Dix's own post-war work is disappointing, a competent and painterly figurative expressionism after the manner of the Parisian mainstream: shades of Picasso, Clavé, Braque, underscored with a dour symbolism. But it is the mark of the true artist that even his bad work remains interesting, and Dix was nothing if not inconsistent, never afraid to over-reach himself. If in these late works we see him withdrawn and self-contained, the contrast with the large symbolic machines of the Nazi middle years, "The Triumph of Death" or "The Temptation of Saint Anthony", is only the stronger.

Such paintings as these, with their conscious reversion to the German and Flemish tradition of the late Renaissance, are overblown, uneven, extravagant in ambition, in a sense wonderfully bad, yet wonderful in a proper compliment. The several small landscapes, after Breughel and Altdorfer, by which he made a living, are exquisite, the realist self-portrait of 1942 magnificent.

There was nothing inconsistent in the looking back, for that was where Dix began as a student in Dresden before 1914, looking quite as much at Cranach, Dürer and Van Eyck as at anything of cubism, futurism or any other modernism. While such current examples would preoccupy him in their turn, especially during the earlier part of his career, it was with that larger, older, encompassing realist tradition that he would always identify himself.

Dix volunteered in 1914 and served throughout the Great War. What work he found time to do pointed no moral on the horror and futility of it all. His remarkable drawings of the trench landscape, shown to advantage in Edinburgh, are objective and topographical, almost pastoral, exactly comparable to the working drawings of Nash and Lewis and their British war-artist colleagues.

Portrait of the painter Hans Theo Richter and his wife Gisela by Otto Dix, 1933, currently in the retrospective exhibition at the Tate gallery

Only some time afterwards is a more searching and despairing response expressed, in the suite of 50 etchings, *Der Krieg*, of 1924, with their eroded, visually erosive images of death and mutilation. A direct comparison is with Goya's "Disasters of War", some of which are shown in Edinburgh in a pendant display, along with woodcuts and engravings of Cranach, Dürer, Baldung and others. For Dix the suite marks not so much the turn to a particular kind of imagery so much as a change of heart. He had been painting mutilated ex-servicemen and low-life imagery in general, whores and pimps and the like, for a year or two. But what was lively and robust, almost jolly in a black sort of way, was now to become bleak and, if not unforgiving, at least unblinking in its view of the human condition.

The work becomes more straight-forward, less directly engaged with the formal devices of the current avant-garde. Dix was well capable of the direct and unaffected approach, and had already painted a notably ravishing portrait of his wife in a red hat. But the years after 1924, especially after his move from Dusseldorf to Berlin in 1925, and on to Dresden in 1927, were to see his finest work, finest of all the portraits and the nudes.

With them Dix truly returns to the old northern humanist tradition, with its clearer drawing, thin paint and thinner glazes. His subjects are treated not satirically, but all too truthfully, their figures set at just the right exaggerated curve, their features pointed with just too wicked an emphasis, their every vanity and frailty exposed. The professional model shrinks away, covering herself, as who would not before that baleful gaze.

The Otto Dix exhibitions continue at the Tate until May 17, sponsored by Beck's Bier and The Independent; and until May 10 in Edinburgh, sponsored by the German government.

John Mortimer's 'Zaide'

NEW YORK

Mozart was composing *Zaide*, his first essay in German opera, when the commission for the opera seria *Idomeneo* arrived, and *Zaide* was set aside. Two years later, Joseph II was commissioning German pieces for his national company: Mozart looked at his unfinished *Zaide*, decided it was not "comic" enough for Vienna, and wrote instead *Die Entführung*, on much the same subject but with Blonde, Pedrillo and Osmin added. *Zaide* remained unknown until the composer's widow found and sold it to a publisher.

Fifteen musical numbers – perhaps three-quarters of the intended – survive, but not the spoken dialogue that should link them. Mozart's source was a libretto in which Zaide, the Constanze figure and Gomatz, the Belmonte figure turn out to be brother and sister, and the Sultan's overseer turns out to be both their father and one who had saved the Sultan's life 20 years before. But after the first few numbers Mozart departed from his source; and for the soprano and tenor he wrote tender love music suggesting that he had a different denouement in mind.

The score ends with what is presumably the second-act finale, in which the recaptured pair face death together, Allazim pleads for mercy, and the Sultan is inflexible. Thereafter, it's anyone's guess what happens... and so *Zaide*, which contains marvellous numbers, has attracted many speculators, eager to save some excellently dramatic music for the stage.

Italo Calvino produced a version – it reached London in William Weaver's translation – in which Mozart's incomplete score was washed up on a desert island and the performers who came across it tried various ways of fleshing it out and resolving it. The latest version of *Zaide* is by John Mortimer. It received its world premiere last Thursday in the Juilliard Theater, brought by the University of Cincinnati's College-Conservatory of Music.

Mortimer – like Peter Sellars in his production of Handel's *Giulio Cesare* and Ken Cazan in his St. Louis production of Mozart's *Mitridate* – chose the modern Middle East as his main setting: the Sultan, a religious fanatic, heads the party in power, Gomatz is a political prisoner and Allazim is a professor who once taught both of them. The roles are doubled: singers in robes sing Mozart's music, and actors in modern dress speak Mortimer's drama. At the close, Mozart's Sultan releases Zaide, Gomatz and Allazim to freedom while, on the other side of the stage, Mortimer's Sultan has the trio executed.

Well, it's a having-it-both-ways idea, but it did not amount to much. In a programme note, Mortimer wrote rather promisingly of a contrast between dreams, such as can be sung about, and harsh prose reality. But his political prose exchanges are trite and obvious, his modern characters conventional cardboard. His Allazim's "Battles are a sign of weakness, not strength. If you let them go you'll prove yourself strong enough not to care about dissidents... I could guarantee you an excellent press. Perhaps a seat at the conference table" is a fair specimen. In the aftermath of a real Gulf War, this tacking of contemporaneity to an 18th-century abduction drama seemed glibly opportunist – and ill-matched to the emotions explored in the score.

It was the "unreal" figures – the singers animated by Mozart's music – who came to life. Or would have come to life had they been better sung, had Cincinnati been able to field less modest vocal resources. The Juilliard, only a 1,000 seater, apparently intimate, but very wide and with dead acoustics, is a trap into which the Bloomington troupe that brought *Lo sposo deluso* to New York earlier this season also fell. And the actors lacked the rhetorical force to quicken the melodramas. Malcolm Fraser produced. Jindong Cai conducted, too blandly.

William Mann in his Mozart book says, "Attempts to turn this fragment into a viable theatrical musical experience cannot succeed... the best use to be made of it is either by gramophone records or concert performances." I agree. I've not seen Paul Griffiths's *The Jewel Box*, which sounds captivating. But John Mortimer's *Zaide* proves as unsatisfying as all the earlier attempts to "make something stageable" of Mozart's unfinished, unfinishable *Zaide*, *Oca del Cairo* and *Sposo deluso*.

Andrew Porter

London Symphony/Tate

BARBICAN HALL

Shostakovich's fourth symphony (Op. 43) is one of his biggest and most brazen – the modernist excursion of 1936 which he did not dare have performed once Stalin had condemned the 1932 opera *Lady Macbeth of Mtsensk* for formalism, and which was succeeded by "the Soviet Artist's Practical Creative Reply to Just Criticism" in the form of the world-beating fifth symphony. It was not until 1961 that it was deemed safe in the USSR to give the fourth its premiere; and experiencing the cataclysmic climaxes, grinding dissonances and moments of pure weirdness in Jeffrey Tate's splendid account of the work with the London Symphony Orchestra on Sunday night one could hear why.

It is a huge structure – a central quasi-scherzo flanked by movements lasting each some 25 minutes – scored for a huge orchestra and dealing in bold ideas. As if anticipating Penderecki's early manner, Shostakovich creates a dialectic of sheer sonority. The presto fugal passage for the strings in the first movement generates a sonorous energy that goes far beyond the needs of any conventional thematic argument – or it did in the LSO's rendering at any rate. Likewise, the thick chorus of woodwinds early in the second movement began to conjure up the music of Ligeti; while the outbreak of dry ironic percussion, dominated by unlikely castanets, with which the movement comes to its sudden stop evoked for all the world the later loopier Tippett.

Tate well brought out this movement's strange quality of tragic insouciance, and elsewhere, variously, the bitter-sweet naughtiness of fugues and waltzes, the painful stridency, the note of desolation, and all the characteristic expressive elements which no criticism ever compelled Shostakovich to alter. The climaxes were admirably judged, even if the last of them taxed the Barbican's acoustics. Admirable too were the numerous solos for instruments or sections: Ian Bousfield's trombone, Martin Gatt's bassoon, the piccolo section, the two frenetic timpanists, the celesta-player who inscrutably signs the work off.

Gatt and three of his fellow principals composed the solo quartet in Mozart's Sinfonia Concertante in E flat, K. 297b, for oboe (Roy Carter), clarinet (Andrew Marriner), horn (Hugh Seenan) and bassoon which filled the first half. A work of doubtful authenticity, it rarely fails to make a tedious impression, but the stylish virtuosity of these players did much to sustain interest.

Paul Driver

Le Siège de Corinthe

QUEEN ELIZABETH HALL

The activities of the Rossini 200th anniversary year begin to unfold in London's theatres and concert halls. There may not be enough of them – for this is, after all, a composer of many little-known or even unknown works of superb quality and only a few popular favourites. But those that are scheduled (such as next month's Royal Opera revival of *Guillaume Tell* and QEH concert performance of the Neapolitan *opera seria*, *Ermione*) will surely aid in sharpening our vision of a composer of the first importance still shrouded in prejudiced misunderstanding.

This what anniversary celebrations always should have as their goal; and this was certainly the achievement of Sunday's Chelsea Opera Group concert performance of *Le Siège de Corinthe* (1826), first of the three *grand opéras* Rossini wrote for Paris. It was an occasion of high excitement but with also the properly missionary purpose and revelatory impact. The convenient formula is that with this work 19th-century Grand Opera was launched; what is less well known is the fierce charge of dramatic urgency and vigour that it can still release when sympathetically delivered.

Like *Moïse*, the second of Rossini's Paris operas, *Le Siège* is a radical refashioning of an earlier work – in this case *Maometto secondo* (Naples, 1820). The Neapolitan expansiveness of invention and luxuriant vocal writing were drastically cut back; the siege itself was re-located from Negroponte to Corinth. The Paris premiere was given against the backdrop of the Greek War of Independence, and so the enthusiasm it inspired may have had a tinge of topicality; but the boldness of the opera, its opening-up of new paths and possibilities and its surging forcefulness of forward movement were the real roots of its success.

Forward movement is the aim: this is a through-composed drama with only a single solo *scena* uninterrupted by the addition of other solo or choral voices. Not until *Il trovatore* would opera rediscover such rugged vitality in martial rhythms; the grandeur of Rossini's Gluckian and Beethovenian veins and, in the Act 2 choral prayer, his pre-Schumann richness of Romantic harmony are kept trimly directed toward the driving oppositions – Greek versus Turk – of the drama, also achieved in the wonderfully apt and detailed scoring.

Character is subsumed in the love-versus-duty plot; this is perhaps the backward-looking aspect of the opera, which makes it less easy to revive than *Tell*. My single encounter with *Le Siège* in the theatre – the 1982 Florence staging, a tepid, going-through-the-motions affair – underlined the point. But though the Chelsea Opera Group orchestra and chorus are peopled with amateurs, their commitment to the work proved on Sunday so infectious, and the skill of the conductor, Howard Williams, so great in reconciling formal grandeur and dramatic dynamism, that for me the experience was transformed beyond recognition.

A crucial element was still lacking: the focus of solo singing both pure and powerful in tone and style. Only the tenor Justin Lavender, whose easy command of Néoclès's high tessitura won him an ovation in the Act 3 *scena*, could really be deemed a "possible" in his role. (If Mr Lavender could groom his tone and line still further he could become this country's much-needed *Otello* tenor.) The impassioned leading female role was confided to Eileen Hulse, a delicately musical soprano on far too small a scale.

But there was a quality of no-frills honesty in the singing of Geoffrey Shovelton's Greek leader and Neil Howlett's Turk, and useful support from Louise Crane and Lawrence Richard. And as ever in Chelsea Opera Group's most notable successes, the plusses triumphantly outnumbered the minuses.

Max Loppert

City of Birmingham Symphony Orchestra

ROYAL FESTIVAL HALL

A decade of war and revolution is the subject of this year's arts events in "Towards the Millennium". The festival, which is surveying the cultural legacy of the 20th century on an annual basis up to the year 2000, is presently engaged on the decade 1911-1920. When concerts are arranged by chronology in this fashion, it is fascinating to reflect on how posterity has selected what it wants to hear. For there is a clear dividing-line. The orchestral concerts, being given by Simon Rattle and the CBSO, include a good proportion of present-day favourites; while the smaller-scale events feature music that is still liable to be looked upon as new and difficult.

There was certainly nothing to frighten people away from Friday's concert, although even the lure of Rattle and his orchestra in a programme for which they are superbly well equipped had not succeeded in drawing a full house. A pity, as the invigorating opening of Nielsen's Third Symphony announced that the team was on good form. Their performances of the big showpieces from this period are rarely flashy: the musicians rather give the impression of having worked assiduously with their Music Director and produce accounts of each score that are musically penetrating, exciting where appropriate, but never in a superficial way.

It would be quite possible, for example, to find a performance of Ravel's *Daphnis et Chloé* that gave a more scintillating exposé of precise sounds or an uninhibited display of orchestral muscle. What would be difficult is to equal Rattle's expressiveness and feeling for atmosphere – a heady sensuality, often seducing the ear with ravishing quietness on the part of the CBSO musicians and Chorus.

There was some exquisite playing in the evening's novelty, too. This was Szymanowski's *Songs of a Fairy-tale Princess*, three miniatures in which a high soprano floats away on stratospheric cadenzas over lush and exotic tinkling from celesta and piano, a sound-world shamelessly borrowed from Stravinsky's opera *Le Rossignol*. Eileen Hulse was the effortless soloist and Rattle the chivalrous accompanist who let her every phrase be heard.

Richard Fairman

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Daan Admiraal conducts the VU Orchestra in Sibelius' Seventh Symphony and Nielsen's Third, with Hans Roelofsen soloist in Tubin's Contrabassoon Concerto. Tomorrow, Thurs and Sun afternoon: Hartmut Haenchen conducts the Netherlands Philharmonic. Fri: Chailly conducts the Royal Concertgebouw (6718 345)
Muziektheater 19.30 *Hartmut* Haenchen conducts Pierre Audi's production of Mozart's Mitridate, also Fri. Sat and Sun afternoon: ballets by Frederick Ashton, Ashley Page and Toer van Schayk (6255 455/credit card bookings 6211 211)

ANTWERP

De Vlaamse Opera 20.00 Stefan Soltesz conducts *Steven Pimlott's* production of Un ballo in maschera. Runs till March 27, with next *performances* on Fri and Sun afternoon (233 6685)

BARCELONA

Gran Teatre del Liceu 21.00 Randall Behr conducts Helmut Polixa's production of La traviata, with Stephanie Friede as Violetta. *Also tomorrow and Fri* (412 1486)
Palau de la Musica 21.00 Evgeny Svetlanov conducts the Russian State Symphony Orchestra. Tomorrow: *Midori*, *Fri*, *Sat and* Sun morning: Barcelona City Orchestra. Sun evening: Inbal conducts Mahler (268 1000)

BRUSSELS

Théâtre National 20.30 La Bataille, play by Heiner *Müller directed* by Philippe van Kessel. Daily except Sun and Mon till March 28 (217 0303)
Monnaie 20.00 Philippe Herreweghe conducts Pascal Dusapin's new music theatre work *Medeamaterial (text* by Heiner Müller), plus Purcell's Dido and Aeneas. Runs till March 27, with next performances on Thurs, Fri and Sun afternoon *(219 6341)*
Beursschouwburg 20.30 The Man Who Mistook His Wife For A Hat, music theatre piece by Michael Nyman presented by Antwerp Chamber Opera. Repeated tomorrow (513 8290)
Palais des Beaux Arts *20.00 Rudolf* Werthen conducts I Flamminghi in Mozart's Divertimento K334 and Haydn's C *major* Cello Concerto, with soloist France *Springuel*. Fri and Sun afternoon: Pascal Rogé plays Saint-Saëns' Fifth Piano *Concerto* with the Belgian National Orchestra conducted by Eri Klas (507 8200)

CHICAGO

Orchestra Hall 19.30 Daniel Barenboim conducts the Chicago Symphony Orchestra in Berlioz's Roman Carnival overture, Ravel's Alborada del gracioso and Rhapsodie Espagnole, and Strauss' Ein Heldenleben. *Tomorrow:* Tito Puente Latin Jazz Allstars. Thurs, Fri afternoon and Sat: Barenboim conducts Corigliano's First *Symphony (435 6666)*

GENEVA

Comedie *20.00 Chekhov's* The Seagull, directed by Philippe Sireuil. Daily except Sun and Mon till April 4 (205001)
Théâtre de Carouge *20.15* Sigmund, Monique Lachère's new play about Freud. Directed by Georges Wod, with Raoul Pastor in the title role. Daily except Mon till March 29 (434343)

LONDON

DANCE
Sadler's Wells 19.30 Opening night *of a two-week season by the* Birmingham Royal Ballet. Tonight's triple bill consists of David Bintley's Galanteries and two Kenneth MacMillan choreographies, The Burrow and Elite Syncopations, repeated *tomorrow*. *Thurs*, *Fri*, Sat and Mon: Giselle (071-278 8916)
Covent Garden 19.30 Sylvie Guillem stars in Kenneth *MacMillan's Manon*. Tomorrow: Death in Venice (071-240 1066)
CONCERTS/OPERA
Royal Festival Hall Thurs: Ralph McTell (071-928 8800)
Queen Elizabeth Hall 19.45 Cleveland Quartet plays three *Beethoven string quartets*. Tomorrow: Hakan Hardenberger plays trumpet concertos (071-928 8800)
Coliseum 19.30 Jacek Kaspszyk conducts Il barbiere di Siviglia, also Fri. Tomorrow and Sat: Orfeo. Thurs: Street Scene (071-836 3161)

MADRID

OPERA
At the Teatro Lirico La Zarzuela tonight and Sat, Antoni Ros Marba conducts Pier Luigi Pizzi's production of Carmen, with Teresa *Berganza* (429 8225)

CONCERTS
Tonight at the Auditorio Nacional *de Musica*, *Luis Aguirre conducts* the Spanish Chamber Orchestra in music by Mozart, Barce and Stravinsky. Thurs: Alvaro Marias is director and soloist in a programme of Vivaldi flute concertos. Fri: Eliahu Inbal conducts the Frankfurt Radio Symphony Orchestra in Mahler's Ninth Symphony. Fri, Sat, Sun: Antoni Wit conducts the Spanish National Orchestra in Lutoslawski's Piano Concerto (soloist Piotr Paleczny) and Sibelius' Second Symphony (337 0100). Sun in Teatro Monumental: Harry Christophers conducts Haydn's Creation (429 1281)

NEW YORK

State Theater 20.00 Boris Godunov, *opening night of a three-week* season by St Petersburg National Opera. Tomorrow: Rimsky-Korsakov's Golden Cockerel. Thurs and Fri: Queen of Spades (307 4100)

PARIS

DANCE
Théâtre des Champs-Elysées 20.30 *Ballet Cristina Hoyos premieres* two new choreographies: Yerma and Lo Flamenco. Also tomorrow, plus next Tues, Wed, Fri, Sat, Sun (4720 3637)
Palais Garnier 19.30 Picasso et la Danse: Opéra Ballet triple bill consisting of Nijinska's Le Train Bleu, Roland Petit's Le Rendez-Vous and Leonide Massine's Le Tricorne. Repeated tomorrow (4017 3535)
Théâtre de la Ville *20.30* Compagnie Philippe Genty, experimental dance group. Daily except Mon till March 21 (4274 2277)
MUSIC
Châtelet 20.30 Luca Pfaff conducts Orchestra of the Monnaie and BBC Singers in world premiere of Pascal Dusapin's oratorio La Melancholia, plus Sibelius' Fourth Symphony. Fri: Maazel conducts Ives, George Crumb and Berio (4028 2840)
Salle Pleyel 20.30 Armin Jordan conducts the Ensemble Orchestral de Paris in Beethoven's Triple Concerto and Rossini arias sung by Martine Dupuy (4561 0630)
Opéra Bastille *20.00 Michael* Schoenwandt conducts Elektra, with Gabriele Schaut, Karen Huffstodt and Helga Dernesch. Also Fri (4001 1616)
* A 24-hour recorded telephone guide to Paris entertainments is *available in English by dialling* 4720 8898

ROTTERDAM

De Doelen 20.15 Theodor Guschlbauer conducts the Rotterdam Philharmonic Orchestra in Mozart's Paris Symphony, Saint-Saëns' First Cello Concerto and Fauré's Elegy (soloist Matt *Haimovitz)*, *plus Tchaikovsky's* Suite No 4. Repeated tomorrow and Thurs (413 2490)

UTRECHT

Vredenburg 20.15 Tatiana Nikolaeva plays piano music by Shostakovich and Bach. Fri: Pavel Kogan conducts the Netherlands Radio Symphony Orchestra. Sat: Arnold Ostman conducts Grieg *and Sibelius* (314544)

WASHINGTON

Kennedy Center Concert Hall Tonight's National Symphony Orchestra concert features Tamas Vasary as conductor and piano *soloist* in a programme of Mendelssohn, Kodaly and Brahms. Fri and Sat: Cab Calloway and National Symphony Orchestra Pops. Sun: Kiri Te Kanawa. Sat in Terrace Theater: Music of the Duke Ellington Orchestra (467 4600)
Kennedy Center Opera House Opening night of a two-week season by Dance Theater of Harlem. Tonight's programme *includes Balanchine's Four* Temperaments (467 4600)
Landsburgh Theater Much Ado About Nothing, Shakespeare's battle of the sexes, directed by Michael Kahn. Runs till April 12 (546 4000)
Blues Alley Jazz Supperclub This week's artists include Joe Morra tomorrow (vocals/piano) and solo guitarist Stanley Jordan from Thurs to Sun (337 2338)
Barns of Wolf Trap Tomorrow and Wed: singer/songwriter David Wilcox. Thurs: an evening of folk music with Bill Morrissey. Fri: Jonathan Edwards's country/ acoustic music with blues guitar *and harmonica* (703-938 2404)

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MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22.00 (Fri) Spiegel TV – Intl *Report*

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT *Business Weekly*

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Tuesday March 17 1992

Battle of the budgets

NEVER BEFORE have voters in a general election been given a choice between two budgets. That this is so is *partly an accident of timing*. But it is also a credit to the Labour Party which offers a choice that is clear, but far from dramatic.

Since Labour's draft Budget is a political document, deception is to be expected, as was the case in the Budget itself. The shadow Red Book argues, for example, that the recession was caused by the government's policies, but fails to note that the proximate cause was ERM membership, a policy framework for lowering inflation to which the Labour Party is also committed. The draft also calls for immediate implementation of a £1.1bn recovery programme. But it fails to recognise the modest nature of the stimulus. A Labour government, too, would have to wait and hope for a recovery.

Even on the "fiscal principle that the Government should only borrow for investment", Labour merely talks a good game. The prospective fiscal deficit would be quite as large under Labour as under the Conservatives and, taken as a whole, that deficit will probably exceed investment. Moreover, the increased spending now envisaged is not for investment, except on the most elastic definition. Labour's puritanical bite is less bad than its bark.

Once enquiring voters have waded through the quagmire of disinformation, however, they reach the dry land of genuine differences.

Personal allowances

Labour tax-raising proposals include abolition of the national insurance ceiling and a new 50 per cent income tax band, starting at gross earnings of £40,000, but increases in the basic and 40 per cent tax rate are ruled out for the next parliament. The two changes, taken together, are supposed to raise £2.87bn in the first year and £4.84bn in the second. Labour also "saves" the Conservatives proposed 20 per cent reduced rate band, worth £1.77bn in 1992-93 and £2.32bn in 1993-94.

The money is to be spent on a 10 per cent increase in personal allowances (costing £920m and £1.17bn in the first two years, respectively), abolition of the 2 per cent national insurance entrance fee (costing *£720m and £1.07bn*), an increase in child benefit to £9.95 (costing £315m and £750m) and increased state retirement pensions (costing £1.05bn and £2.56bn). After already announced changes in national insurance treatment of benefits in kind, a proposed tax exemption for employer assisted childcare, abolition of the incentive to opt out of the state earnings related pensions and retention of stamp duty on share transactions, £1.89bn and £3.51bn are left for increased public spending in the two years.

Pensioner households

Labour's proposals are more redistributive than those of the government. According to the Institute of Fiscal Studies, below a household disposable income of £399 a week the number of gainers would exceed losers. Most pensioner households would gain. So would most parents, whether single or couples. Incentives at the margin for the relatively well paid would be worse, but no more so than prior to 1988. Labour's proposals also involve more public spending. In 1993-94, for example, the difference would be £6.8bn. The sum may seem huge, but Labour's budget would raise the share of public spending in GDP merely from 43 to 44 per cent.

Here then is the choice: monetary rectitude and fiscal profligacy in the blue corner and fiscal profligacy and monetary rectitude in the red one; a "medium term financial strategy" in the blue corner and a "strategic framework for finance and industry" in the red one; public spending kept down to 43 per cent of GDP in the blue corner and public spending up to 44 per cent of GDP in the red one; a reduced rate band of 20 per cent in the blue corner and higher fiscal allowances in the red one; lower taxes on the well off in the blue corner and higher spending on pensioners, parents, health and education in the red one. A fight is, indeed, on. But it is between products carefully positioned on either side of the the middle of the market place.

Lib-Lab, or nothing at all

THE Liberal Democrats, who will not form the next government, serve a useful purpose. Their party is a fruitful source of ideas, some of which are bright and some of which are incomprehensible. It is also a potential junior partner in a Labour-led coalition. The senior partner would have to be Labour, since the Conservatives could not in good faith ally themselves with Mr Paddy Ashdown's followers on the basis of their manifesto, "Changing Britain for good", published yesterday. The prime minister refused to contemplate a change to proportional representation in his speech in Torquay on Saturday. Mr Ashdown is as unequivocally committed to the opposite policy. "Liberal Democrats will neither support nor participate in a government which turns its back on reform," states the manifesto.

Labour, on the other hand, is proposing to keep talking about PR, even for elections to the House of Commons. The Labour leader, Mr Neil Kinnock, remarked the other day that it was "very highly unlikely" that first-past-the-post would be abandoned for national elections. He could hardly be more equivocal than that. Yet Labour policies on other items of constitutional reform are so close to those of the Liberal Democrats as to be indistinguishable. Both favour Scottish, Welsh and English regional self-government; both offer a freedom of information act and bills of rights (the Liberal Democrats would incorporate the European Convention into UK law), and both promise the reconstitution of the House of Lords as an elected senate.

Party similarities

Much of this is constructive; Britain needs a debate about governance. The Liberal Democrats' central argument, which is that constitutional reform is a necessary prerequisite for other reforms in the management of the British polity, has much to commend it. But there are other, more questionable, similarities between the two parties of the centre-left.

Labour would sign the social charter proposed at the Maastricht meeting of European Community heads of state; so would the Liberal Democrats. The latter are more welcoming than the former to full economic and monetary union, but it is a distinction without a difference. Regrettably, both parties would retract the Conservatives' structural reforms of the social services. In the case of health this would be to abandon one of the government's more promising attempts to modernise the welfare state.

Both appear to regard public expenditure as an absolute good, with tax increases guaranteed. The Liberal Democrats take this belief seriously: they alone hypothesise a public sector borrowing requirement £2bn higher than either Labour of the Conservatives dare to propose, and that after taking into account general increases in taxation.

Attractive menu

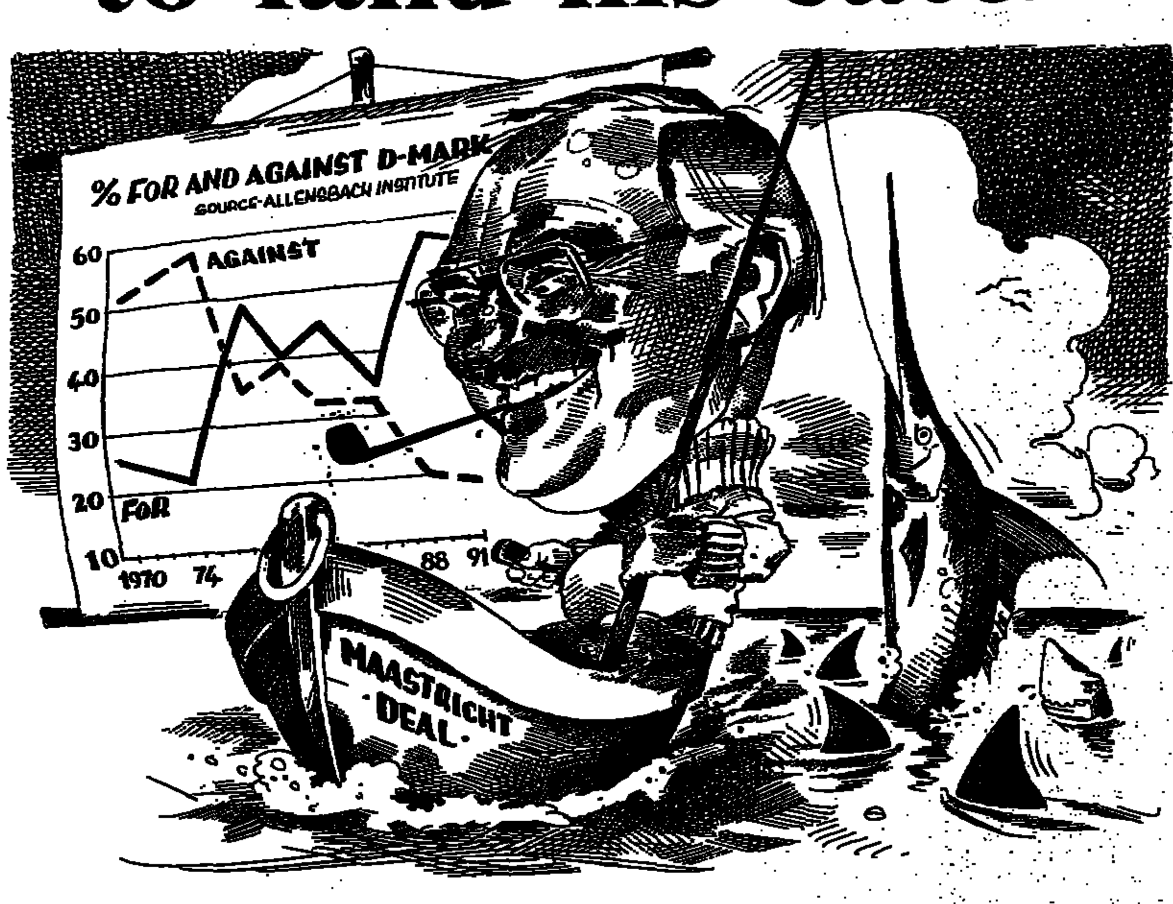
As most continental Europeans are aware, coalitions are not constructed on the basis of minority party manifestoes. Just a few choice items, or compromises, cement many political alliances. The Liberal Democrats' manifesto contains an enormous a la carte menu of attractive items. The Bank of England would become "operationally independent". Monopolies like British Telecom and British Gas would be broken up. Coal would become crown property, with licences to mine issued to British Coal and assorted competitors. The proposed EC energy tax would be supported, with offsetting reductions in VAT.

Yet there are also propositions that simply do not make sense, such as the table indicating that a £4425m increase in state benefits, offset by tax "reforms" (ie: increases) of £4,380m, *could be implemented* in year one of a new administration – and still give a net yield of £355m, after "administrative savings" of £400m. Others are merely fantastical, such as the "gradual integration of Community members' armed forces under a joint military command".

So long as the Liberal Democrats are not a prospective government such excesses need not be taken too seriously. Should it succeed in breaking the electoral system, the party would have to leave behind such cheerful confusion.

The debate in Germany on European economic and monetary union could last until its December deadline, says **Quentin Peel**

Kohl struggles to land his catch



IT is 90 per cent certain that Germany, driven on by the European convictions of Chancellor Helmut Kohl, will ratify the Maastricht treaty on European political, economic and monetary union by the end of the year.

It is equally certain that the country is going to make terribly heavy weather of it. Indeed, Mr Kohl may well have to pay a heavy political price for his convictions. The whole debate will probably run right up to the last stroke of midnight on December 31, causing soul-searching in Bonn, in Berlin and in Brussels, and even the odd beery bickering in the back-streets of Bielefeld.

Throughout the small group of high-level government officials in Bonn responsible for negotiating the EC packages over the past two years there reigns a deep gloom about the coming confrontation. For even if they are convinced that Maastricht will be ratified, they fear that the debate will encourage the mood of questioning that prevails in the unified Germany – questioning of the old certainty of Germany's role firmly anchored in western Europe.

It could also leave loopholes – if not legal, then at least political – in the ratification of economic and monetary union (Emu), allowing opponents of the process to call it into question once again before the final step to full implementation of a single European currency.

Last week Mr Horst Köhler, state secretary in the finance ministry, leader of Germany's Emu negotiating team, and Mr Kohl's "sherpa" – chief adviser and fixer – for the Group of Seven world economic summits, summoned a rare public briefing of *leading economic correspondents to spell* out his concern at the content and direction of the current debate.

"Surely this debate is serious enough for us to try a bit harder," he said. The simplistic state of the discussion "only goes to show that our *German self-confidence has not come* very far".

He was expressing the fear that the debate would be reduced to the level of knee-jerk nationalism: to accusations such as "you are endangering the D-mark, so you are a traitor to the *Fatherland", as he put it.*

At the same time, there is a growing fear that anyone who has an axe to grind within the German body politic will seek to attach it to the ratification process. That seems to be exactly what the 16 German federal *states are doing, in insisting that they* will only give their blessing to Maastricht if their own involvement in all future Euro-negotiations is greatly increased. And it is the sore temptation faced by the opposition Social Democrats (SPD).

The support both of the states, and the SPD, is essential to get ratification. Mr Kohl will present two items of legislation next month to the Bundestag and the Bundesrat, the two houses of the German parliament. The first seeks to amend the German constitution in two ways, each requiring a two-thirds majority in both houses. They must approve the transfer of powers from the German Bundesbank to a future European central bank. And they must allow the vote at local elections to all EC citizens.

Only once that law has the necessary approval can the full ratification of Maastricht be voted through, by a simple majority. So Mr Kohl is a hostage to his opponents both in Bonn, and in the states.

Already he has been forced onto the defensive. Both he, and Mr Theo Waigel, his finance minister, have begun to argue that the most likely name of the single currency – the Ecu – has by no means been agreed, and both would prefer the "Euro-mark". Mr Waigel went further at the weekend, suggesting that the future European central bank must have its headquarters in Germany, as the only way to ensure "broad approval and acceptance" of Emu among the Germans.

Little more than three months ago, it seemed that most of the electorate barely cared about Maastricht. There *was little debate in the media*, and even less in parliament. A broad consensus ruled in Bonn that European integration was a good thing. While the debate raged in Britain on whether Emu should happen at all, there was a certain smug self-satisfaction in Bonn that Germans were far too European to doubt it.

To be sure, there were grumblings within the mighty German Bundesbank, where the state representatives – men such as Mr Lothar Müller from Bavaria, and Mr Wilhelm Nölling from Hamburg – were more sceptical about the stability and security of the process than their Frankfurt-based colleagues in the bank's directorate. But the Bundesbank as a whole never questioned the fact of Emu, only the terms, and the politicians in Bonn slumbered on.

All that changed on the eve of Maastricht when Bild Zeitung, the country's only mass-circulation newspaper and a worthy bell-wether of the mood in the Bielefeld beer-cellars, ran a banner headline declaring: "The D-mark to be abolished." The next day it ran a funeral address for the demise of the beloved currency.

Since then the debate has broken out all over the place, fuelled by a belated recognition among the more populist politicians that a unified Germany is a lot more sceptical about European integration than the old divided nation.

The trouble is that the discussion is thoroughly confusing, because the assault on Maastricht is coming from several directions at once. In the first place, there are the outright Euro-sceptics, *dubious about the demise of* the D-mark, and convinced that Germany must now concentrate more on integrating east and central Europe, and less on the old EC.

The second group comprises the Euro-enthusiasts, convinced that *Maastricht has failed to strengthen* European political union enough, alongside Emu, and seeking to block

Mr Kohl is a hostage to his opponents both in Bonn, and in the states. Already, he has been forced onto the defensive

the latter until the former has been achieved.

Third come the German federalists, the powerful German federal states, which see their territory increasingly whittled away by Bonn, through Brussels. Among them are both Euro-sceptics and Euro-enthusiasts, equally keen to see the power of central government curbed.

The Euro-sceptics amount to a small minority in Bonn, but with growing popular support. The opinion polls certainly suggest that. According to the respected Allensbach institute, the polling body, the proportion of Germans wanting to slow down the European integration process has risen from 21 per cent in 1989 to 38 per cent last year. Those suggesting it should not be slowed down dropped from 58 per cent in 1989 to only 34 per *cent last year.*

As for the precise question of giving up the D-mark, according to the Society for the Protection of German Savers, the proportion has switched from a clear 52:26 in favour back in 1970, to a decided 56:18 against last year. *Other polls suggest the same, with a* growing backlash since Maastricht. The most recent put opposition at 72 per cent, with almost 30 per cent saying they would change their vote in the 1994 elections to support any party saying it would not give up the D-mark.

That is one option which so far German electors do not have, unless they vote for the extremes of left and right. The political establishment in Bonn is very largely united in support of Emu – but the temptation is growing at the fringes to exploit the popular desire to maintain "the D-mark in one's pocket".

The first to do so was Mr Peter Gauweiler, the environment minister in Bavaria, a leading member of the Christian Social Union (CSU) in that state. He is a rival to Mr Waigel, the party leader, and is often seen as the real heir-apparent to Mr Franz-Josef Strauss, the long-time conservative prime minister there.

He suddenly came out with a ringing denunciation of the whole process of European union, describing it as a "totalitarian dream of universal redemption", and denouncing the Ecu as "Esperanto-geld". He lost the debate in the party leadership, but his are the words which linger on in the public memory.

Then came Mr Oskar Lafontaine, deputy leader and enfant terrible of the SPD, who surprised and alarmed his own colleagues by calling for outright rejection of the EC treaty – because Emu will be built on foundations of sand. You cannot have a common currency, and a single central bank, while allowing each member *state to* pursue its own incomes policy, social and financial policies, he said.

"Thank God for Mr Lafontaine," one EC diplomat remarked. "His capacity for choosing the wrong horse is legendary. By coming out against *Maastricht, he forced his party to* come out in favour."

That at least is what happened – up to a point. The SPD has promised not to allow its doubts to block ratification. But what it wants in exchange is the promise of another debate on Emu before Stage Three – the final step to a single currency. That debate should not be a mere formality, says Mrs Heidemarie Wieczoreck-Zeul, the party spokesman on Europe: it would overrule the "automatic" trigger mechanism for Emu provided by the Maastricht treaty, and give the German parliament its own right to decide whether it believes the preconditions for Emu have been fulfilled.

Such a "second look" at Emu certainly seems very similar in effect to the "opt-out" clause built into the treaty for Britain, although the intention may be to "opt in". It is something Mr Kohl seems certain to fight against. What he will have to accept is an instruction to report back to both the Bundestag, the lower house, and the Bundesrat, representing the 16 federal states, before Stage Three. He will have to report both on how the economic preconditions for Emu have been fulfilled – whether, for example, Italy has satisfactorily reduced its state debt and budget deficit far enough to join – and on what further progress has been made to political union.

That much the Euro-enthusiasts seem to have won, while promising to ratify Maastricht in principle.

The greatest threat to Mr Kohl's position, however, comes from those German federalists who wish not to transfer all decision-making to Brussels, as the British might suspect, but to keep it all back in the Länder (states) in Germany. They are demanding fully-fledged changes in the constitution to give them control *over any future moves to transfer* more power to Brussels, or any other multi-lateral institution. They also want a seat in all EC negotiations on budget spending.

The prospect is regarded with horror by the likes of Mr Köhler. *Far from imposing budget discipline on* Brussels, he sees the dilution of Germany's negotiating position as an invitation to profligacy. But if Mr Kohl wants ratification by the end of the year it is hard to see what he can do but compromise.

While this debate goes on back in Bonn, the European debate is moving forward into further potential quagmires. Mr Jacques Delors' budget proposals to finance ever greater "cohesion" in the poorest member states have for once united all parts of the German political spectrum in opposition. With the gigantic costs of German unification causing public spending to be cut no one wants to give new net transfers to the Community.

"It is going to be a terrible year for Europe," according to one senior German official. "There are linkages on all sides. Our states want more powers for saying yes to Maastricht. But at least we can all agree on EC budget discipline. Then Spain may insist that it gets more money, or it will block any moves to englargement. That means blocking Sweden, or Austria – whose membership we are committed to support. But don't get us wrong. At the end of it all, we will still be good Europeans." At least in Bonn.

OBSERVER

Governing party

■ One of the first tasks for whichever party wins the election will be to replace the Governor of the Bank of England, whose term runs out at the end of June 1993.

The ideas a continuing Conservative government would have on suitable pedigrees have been reasonably well aired, with Sir David Scholey, Warburg's man on the Court for the past decade, an obvious contender. But what happens if Labour wins?

In that case, the dossier of qualified candidates with apt backgrounds is somewhat thin. There are some Labour peers who have worked in the City, such as the Lords Williams and Donoughue. But their credibility has not been enhanced by their recent career moves. Another possibility is Lord Peston, a Labour academic, but he is said not to be interested and, even if he were, his appointment would be controversial – at least among economists.

History suggests that Labour prime ministers tend to play much more safely than their Tory counterparts when it comes to picking governors.

On nationalising the Bank in 1946, Labour might have given the place a thorough shake-up. In the event, it passed up the opportunity by asking Lord Catto, a former Morgan Grenfell partner, to stay on as governor. Since then, Labour governments have had only a couple of chances to choose a new governor, and both times it promoted from within.

Admittedly, in 1949 Stafford Cripps wanted to give the job to John Hanbury-Williams, a well respected chairman of Courtaulds. But when he turned it down, the post was offerred to Cameron Cobbold, *the deputy governor. Similarly,* Harold Wilson also settled on the deputy, then Leslie O'Brien, to take over from Lord Cromer in 1966.

On this basis, the two obvious front-runners are the current deputy governor, 53-year-old Eddie George, and Sir David Walker, who has worked in the Treasury as well as the Bank and steps down as chairman of the Securities and Investments Board at the end of May.

Indecisive

■ Perhaps it is Sir David Walker's own uncertainty about his next career move that explains the apparent difficulty in filling the chairmanship of 3i, Britain's biggest venture capitalist. Then again, it may be that 3i's clearing bank owners can never agree among themselves.

Whatever the reason, the delay in filling the post is rather odd since an in-bred organisation like 3i urgently needs a familiar face at the top in the run-up to its flotation. Sir John Cuckney, who has been chairman since 1987, would be ideal, but he is stepping down, and the gossip is that the job is Sir David's... if he wants it.

If this really is the case then it is rather disturbing. Clearing bankers may believe that the Bank of England knows best when it comes to making these sorts of appointment but putting well-known mandarins in charge of City institutions has not always worked, witness Sir Kit McMahon's unhappy tenure at the top of Midland Bank. Much better to look outside the City and appoint an industrialist with a proven track record, such as Shell's Sir Peter Holmes.

Hot lines

■ *Psst... want to know* the telephone numbers of George Bush, Helmut Kohl and François Mitterrand, not to mention the Pope and Queen Elizabeth? If so, just get hold of the German tour-company Westerhaus Ballena's brochure for holidays in Grand Canary.

The numbers – all correct – appear inside although, in a clear breach of protocol, they are ranked lower in the list than numbers apt to be more immediately required by the company's average customer, such as those of the local German doctor and office of Lufthansa.

"Tory central office sent us – where do you want these bean bags?

On board

■ Good to see that GPA, Ireland's high-flying aircraft leasing company, seems to have come to its senses and realised that it cannot allow Maurice Foley, the 51-year-old president, to bail out of his executive duties only months after it comes to the stock market. If one is going to persuade the world's punters to back this high-risk enterprise, the least that can be expected is that key members of the management team are required to stay on board until the company has proved that it can fly out of the recession. All it needs now is for Tony Ryan, GPA's reclusive founder, to put in an appearance at a press conference and GPA would have the makings of a half-normal stock market debut.

Utopia coined

■ More numbers from the Fancy Figures Department. IMI, which a year ago bought the Birmingham Mint and makes about 800m coins a year, is a small player in the international mint league, although it has re-coined Lithuania.

Gary Allen, the chief executive, clearly sees EC monetary union as a Utopia where IMI and all its counterparts are kept busy without competing with each other. In the EC, he says, there are about 160bn coins. "If we ever go to the ecu that will keep our mint going, and every other mint, for 15 years."

Inflationary

■ Britain's Labour party may pretend that it is not going to screw the City, but Observer remains highly sceptical. Take yesterday's shadow Budget statement. Cost of the 12-page booklet plus a few tables is £25. The government's equivalent 80-page Red Book costs £9.65 and for £30 you can take out a year's subscription to the Bank of England's very informative bulletin.

The young press officer at Labour's Walworth Road headquarters insists that the price is set by supply and demand. However, an old Labour hand tells me that one has to charge a lot, or people don't think it is a serious document....

Blarney

■ And as it's St Patrick's Day, how do you get a group of Irishmen up on the roof?

Tell them drinks are on the house.

Stefan Wagstyl examines the implications of Tokyo's quiet stock market crash

Uneasy calm amid a gathering storm

Just over a year ago, the thought of the Nikkei stock index dropping through the 20,000 level prompted panic among investors and emergency revisions to stock market rules by the authorities.

But yesterday an eerie silence met the Nikkei's return to its lowest level since February 1987. Investors had been expecting the bad news for so long that there was barely a ripple of reaction when it finally arrived.

Nevertheless, yesterday's event highlights a crucial change of sentiment in the Tokyo financial markets. Until the end of last year, there was considerable hope that the bear market in equities, which started in early 1990, might soon be ending.

Foreign investors certainly thought so – they bought record amounts of Japanese stocks last year, hoping to steal a march on cash-strapped Japanese institutions.

They were buoyed partly by a hope that all postwar Japanese bear markets, bar one, have lasted less than two years. The one exception was the 1960s stock market crisis, when the markets had to be bailed out by the government.

Many investors have given up hope that the current bear market will follow the normal pattern

However, since the beginning of 1992, many investors have given up hope that the current bear market will follow the normal postwar pattern. They have battened down the hatches for a long 1960s-style financial recession. As Mr Shiomichi Kawamoto, a fund manager at an investment management affiliate of Sumitomo Life, the life insurer, said yesterday: "The Nikkei may rebound above 20,000, but the overall downward trend is unchanged. Who will buy stocks from securities companies which are about to collapse?"

Such profound gloom has several causes. The immediate explanations include the aftermath of the financial explosion of the late 1980s, confidence-sapping political and financial scandals and the slowdown in the economy. Other causes lie just below the surface, among them the cumulative effect of financial deregulation on Japan's capital markets.

The deep gloom in the market will not lift overnight, nor, probably even in a month or two. Yet, it is worth remembering that Japanese equities are shares in some of the world's most dynamic companies. Even as the country's financial markets labour in the darkness of recession, its laboratories and factories are busy laying the foundations for recovery from the current economic slowdown.

For now, however, there is an enormous overhang of overpriced assets bought during the bull market of the 1980s. In the stock market alone, the Nikkei index's 50 per cent plunge from its peak has wiped about Y250,000bn (£1,100bn) off asset values. Much more wealth has evaporated in the property market, where prices have fallen by up to 40 per cent in Tokyo and Osaka.

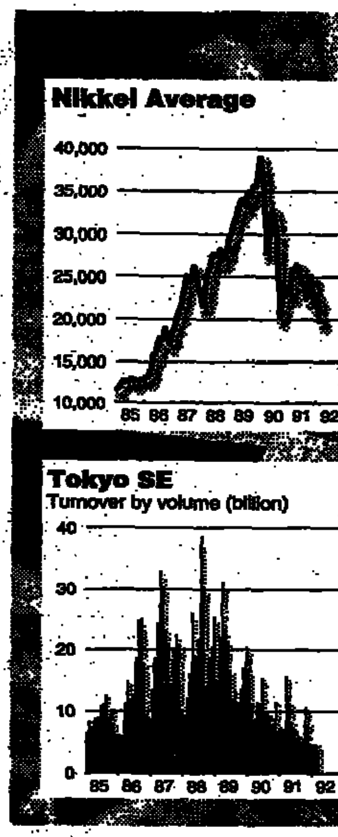
Some of the holders of these assets are under no pressure to sell – they and their bankers can afford to wait. But others will take advantage of even a modest rally to dump unwanted land and stocks.

The effect on securities brokers has been immediate. The slump in prices has depressed turnover and sparked disputes with clients. In the most recent example, Mr Masahiro Dozen, President of Daiwa Securities, last week resigned after disclosing a forecast Y48bn net loss for the year to March 31 following the settlement of arguments with investment clients. Nomura Securities, Nikko Securities and Yamaichi Securities, the other big broking groups, are this week expected to announce gloomy results forecasts.

The Big Four's reserves were bolstered by the bumper profits of the 1980s. But even they can withstand only a limited number of disputes of the kind suffered by Daiwa, which is writing off Y72bn in extraordinary items. Smaller companies are much worse off: some have already closed or been swallowed by larger groups.

However, Japan can afford to lose some of its 250-odd broking companies without suffering serious damage to its capital markets.

The impact of the financial recession on banks is more serious. Banks are suffering because they count a portion of their stock portfolios as capital for the purposes of capital adequacy ratios set by the Bank for International Settlements. With the Nikkei below 20,000, about half of the top 11 banks' ratios are below 8 per cent – the BIS's standard which comes into effect in 1993.



Moreover, banks have an extra burden in the form of bad and doubtful debts, mainly related to property loans of the late 1980s. The most problematic of these were routed through finance companies. Teikoku Databank, a credit research agency, estimates that about half of Y70,000bn-Y80,000bn lent by finance companies for property investment could be bad.

Banks can minimise the eventual loss by selling land held as collateral. But this could take years. In the meantime, the loans stay on the books, eroding profits.

As Mr Harasawa explains, banks can respond by cutting asset growth, such as new loans, and raising profitability by increasing lending margins. The big institutions will doubtless survive. The problems come with smaller lenders which can have their reserves eliminated by a single disaster.

Even if a few small banks go bust – and none has failed yet – bankers see little risk of failure in the banking system as a whole. But would-be borrowers are facing credit shortages as banks husband their resources.

This squeeze on credit is the main direct effect of the financial recession on the rest of the economy. Companies, which in the 1980s could raise equity-related capital at a net cost of below 1 per cent a year, and loan funds at below 4 per cent, now find equity-linked capital impossible to obtain and must pay 7 per cent and more for borrowed money.

How much this will constrain economic growth is difficult to judge. With companies now running down inventories and postponing investments it could be next year before the effects emerge. But with the latest money supply figures (for January) showing a year-on-year growth of just 1.8 per cent, the potential exists for a credit shortage hurting a nascent future recovery.

The Bank of Japan is aware of the risk, not least because of the repeated demands from politicians and industrialists for interest rate cuts. A further cut of 0.5 percentage points to 4 per cent in the Official Discount Rate is widely expected. But the weakness of the yen, which is trading at about Y134 to the US dollar compared with Y125 at the end of 1991, could limit the cental bank's scope for action. With long-term interest rates firming in the US and in Germany, a reduction in Japan could further depress the yen.

It would be wrong to exaggerate the weakness of the real economy. Private sector economists expect about 2-3 per cent next year, sluggish in comparison with late 1980's but respectable by standards of other industrialised economies.

Nevertheless, Japan faces some difficult challenges. On the political front, bribery scandals have disrupted the ruling Liberal Democratic party's efforts to secure the parliamentary passage of the budget and could fatally delay possible supplementary measures. Meanwhile, financial scandals, such as Daiwa's latest affair, postpone the recovery of confidence in the market.

Equally significantly, the partial deregulation of interest rates and of foreign exchange controls has made the current bear market quite different from the past. Before, Japanese investors could not easily switch funds from equities to other instruments. Interest-bearing deposits often paid low rates. It was difficult for investors to put funds overseas. So, particularly for institutions, there was little choice but so sit out a bear market.

Today, liberalisation has removed many of the constraints. That is why Japanese investors are starting to demand higher profits and higher dividends from companies. Without an increased flow of income from their stocks they will have little reason to hold on to equities during a bear market.

Responding to demands for reform would require wholesale change from Japanese companies, which are accustomed to putting investment and sales above profits in importance and employees before shareholders. But the longer the bear market lasts, the greater will be the pressure for corporate reform.

A first shot in the parade ground

The creation of a Russian army poses difficult challenges for the CIS, writes **John Lloyd**

Russia is again to have an army. Leaving aside this century's Soviet interruption, it will lay claim to a tradition reckoned in military and patriotic circles as glorious, with centuries of imperial expansion and victories across much of Europe emblazoned on its standards.

Through its army Russia was made into a vast multinational territory (the consequences of which are still returning to haunt the former imperialists): because of the army's defeats and virtual disintegration against the Germans in the first world war, the Bolsheviks seized and held power.

Little that is glorious from the past remains today, and the future holds (it is to be hoped) few glorious prospects. The Soviet army – already de facto a Russian army, as Mr Sergei Shakhrai, the Russian deputy prime minister, noted yesterday, – is clearing out of the Caucasus under fire, leaving two wars behind it. It is still trooping back from eastern Europe, is soon due to leave the Baltics, and is in danger of being dragged into a further war in Moldova.

This is in part the motivation for the creation of a Russian military: to haul out Russian soldiers from areas of conflict over which their country can exercise no influence short of a massive intervention, which it will not undertake. The decree signed yesterday by Mr Boris Yeltsin, the Russian president on return from his holiday on the Black Sea has the virtue of bringing some clarity into the tangled military affairs of the Soviet Union, and hopefully begins a process of definition of military policy. However, it leaves many questions unanswered.

On the credit side, the formation of a Ministry of Defence with Mr Yeltsin at its head (his third job after those of president and prime minister) gives the Russian military a country to which to belong: the fiction of being an army for the Commonwealth of Independent States, when the CIS is clearly incapable of doing anything other than falling apart, was wearing thin.

Further, by putting himself at its head, Mr Yeltsin has established a civilian command of the military. It was stressed yesterday that this was temporary, and the longer-term dispute over civilian or military control of the army is only postponed. Certainly, the main civilian contender for the post, Mr Andrei Kokoshin, deputy head of the USA Canada Institute, a Moscow think tank, still believes that his candidature remains active. He has gathered a team reckoned as impressive, including General Alexander Vladimirov, thought to be one of the foremost military strategists. But in the transitional period under presidential command, it is a good idea that the head of state supervises the difficult process of creation because of his popularity and authority.

Finally, the Russian parliament will at last have a say in military matters, since the draft law setting up the defence ministry will soon come before the Russian deputies. The deputies have complained with increasing bitterness that while they pay the army's bills, they have no say in military dispositions. Now they can exercise their right of speech.

Russia and the other states have not so far shown they can develop a Nato-type structure

Yet, there has been no official word on the size of the force – though Colonel Alexei Tsaryov, head of the defence sub-committee of the Russian parliament, said recently that he thought 1.5m would be adequate. Will it be professional? Probably, though not immediately: Colonel Tsaryov's estimate was that it would take several years.

The timing of the announcement predates the meeting, in Kiev on Friday, of the CIS heads of state, at which the issue of the division of military forces and hardware will again be on the agenda. This is a bitter matter, especially as regards the Black Sea fleet – part of the former Soviet navy, but based largely in Ukrainian ports. Marshal Yevgeny Shaposhnikov, commander-in-chief of the CIS armed forces, said in a TV interview yesterday that the fleet should stay under CIS command: while the Ukrainian government continues to insist that a sizeable part, perhaps as much as a third, be assigned to Ukraine.

It is not just Russia and the Ukraine which are at odds. Russia's relationship with the CIS is confused, and the announcement yesterday did not make it much clearer. Mr Shakhrai insisted that the creation of the defence ministry did not mean Russia was withdrawing from the CIS military structure: but if Russia is to form its own army, then it could reduce the CIS command to a formal organisation, with no effective command over anyone. Can Russia, and the other states which wish to retain some form of unified command, develop a Nato-type structure? So far they have not shown that they can.

One of the few, so-far unchallenged, assumptions of post-Soviet military life is that Russia will, over the next two years, inherit all the the Soviet strategic nuclear weapons. In the absence of a doctrine, however, there is as yet no agreement about whom the nuclear shield protects, and at whom the missiles are aimed. Further, the announcement comes as a new dispute arises between Russia and Ukraine over tactical weapons. Ukraine refuses to send any more back to Russia because it fears "instability" in the latter republic.

The stated aim of the Yeltsin government is to create a "normal" democratic republic from the ruins of the union: within that, to develop a military policy capable of defence but without aggressive designs on any other state or people. Russian, and Soviet, history is not replete with periods in which such intentions were carried through: now it might be possible, but only with vast changes, most of all in the psychology of a people more comprehensively militarised than any other on earth.

LETTERS

Very different set of views

From Mr M J Turner.

Sir, The outcome of your survey ("Business chiefs want decisive Tory win", March 16) is totally predictable. These are the people who can, and have, paid themselves grotesque salaries at massively reduced tax rates and whose rates on their large houses have been reduced to insignificance via the poll tax.

You should try surveying the 10-person business, grappling with the uniform business rate, late payment of invoices by big companies, inflated interest from aggressive banks which seem to be just waiting to liquidate one, savage VAT penalties for simple errors and so on. You would, I think, get some very different views about the Tories' economic management.

M J Turner,
21 Lightburne Avenue,
St Annes on Sea,
Lancashire FY8 1SE

Aid to Russia would be small price to pay

From Sir Bryan Cartledge.

Sir, Your editorial comment, "Fiddling while Russia burns" (March 10), badly needed to be made. As you were right to emphasise, the case for financial aid to the Russian government must now move beyond demonstrating the need for it into the less easily predictable territory of calculating the rapidly shrinking timescale within which it could be effective.

Your report, "St Petersburg sounds the alert on wages" (March 11), graphically illustrated the speed with which inflationary pressures on the Yeltsin government are mounting. These will be supplemented in April by the impact of planned energy price increases, which are likely to result in closure for many industrial enterprises and a leap in unemployment.

The provision by the G7 nations of a $5bn to $6bn stabilisation fund to assist the Russian government to strengthen the rouble would not in itself guarantee a deceleration of the inflationary spiral or the defusing of the acute social tensions to which it, together with rising unemployment, will give rise. But it is the only resource, apart from humanitarian aid, at the west's disposal. It would stiffen the morale and the will of Mr Gaidar, Russian first deputy prime minister, and his colleagues, in pressing on with their programme of reform; and it would have an important psychological impact on a population facing the humiliation of a worthless currency.

The coincidence of looming crisis in Russia with a US presidential election campaign in which the incumbent is under threat from the isolationist right is unfortunate: but it should not be allowed to prevent western governments, including the US, from acting now rather than hiding behind the International Monetary Fund's inevitably protracted procedures. If inflation in Russia cannot, with western help, be slowed within the next few weeks, the Russian government could be obliged, despite its current denials, to resort to a monetary reform which would wipe out savings and risk a social explosion. The sum of $5bn to £6bn is a small price to pay to help to reduce that possibility and the long-term dangers for the west which it would create.

Bryan Cartledge,
British Ambassador to the Soviet Union 1985-88,
Linacre College,
Oxford, OX1 3JA

Where power lies in business

From Mr David Fifield.

Sir, I would like to add a few thoughts to Christopher Lorenz's article "Sum total adds up to more than figures" (March 6) and Peter McGregor's letter (March 9). One has to ask how accountants have achieved their power within the UK business world. This I believe can be traced to the importance of the stock market in corporate ownership, with power delegated to senior managers. The accountant in this scenario acts as a policeman working on behalf of the owners. Having realised this situation the accountants have then organised the best closed shop.

If we consider the long-term as practised in Germany and Japan we find ownership more closely involved in management and able to see financial conditions for itself. Under this arrangement creativity and evolutionary product design come to the fore. Interestingly, creativity as represented by intuition and measured by psychometric assessment is found more among scientists than accountants.

I write as one educated as a scientist who chose a business career, passed through business school and later looked after the financial affairs of a group of companies.

David Fifield,
Oaklands,
Weston Underwood,
Olney,
Buckinghamshire MK46 5JS

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Aged travellers

From Mr G V Tew.

Sir, I have to commend the care and thought which has gone into the preparation of applications for bus passes in this area. Three places were provided for the insertion of the digits of my age.

Gerald Tew,
17 Crestway,
Roehampton, London SW15

UK's share of world trade in manufacturing is queried

From Mr Austin Mitchell.

Sir, Samuel Brittan tells us in his comments on the Budget ("Modestly in the wrong direction", March 11) that the UK share of "world trade in manufacturing, after decades of falling, has levelled off, or even slightly risen in the last nine years or so", and that "UK price and cost competitiveness, after a couple of years of deterioration, have now recovered to the mid-1980s level".

Table E1 of the February issue of the Monthly Review of External Trade Statistics shows that in the latest quarter for which volume figures are available, the UK share had fallen to an all-time low of 7.3 per cent, 11 per cent less than in 1982 and 8 per cent less than in 1983.

Table F8 shows that in the same quarter our trade-weighted relative export unit values were a disastrous 11 per cent higher than the average for 1984-86, despite the huge reduction in profit margins and the very substantial reduction in the relative living standards of manual workers in the import-competing and export industries, manifest in the continuing inability of industry to retain skilled labour.

The postwar decline in the UK share of exports of manufactures was reversed in 1971, following the realignments of 1967-69. It resumed after the Smithsonian agreement, but that was reversed again in 1975 and in 1977 following the devaluations of 1973-4 and 1976.

During the whole period an increase in relative export prices has, not surprisingly, been consistently followed by a reduction in market share, and vice versa. The monetary and exchange rate policies of successive governments and their unwillingness to impose selective and penal controls in credit, ensured that sterling was less competitive when we joined the ERM even than in 1980-1981.

Relative export unit values were then 22 per cent higher than in October-December 1976, 14 per cent higher than in April-June 1979 and 36 per cent higher than in July-December 1973. Corresponding falls in market share have been 27 per cent, 19 per cent and 30 per cent.

There will, and indeed can, be no recovery while sterling remains overvalued within the ERM. No system of fixed exchange rates can allocate resources efficiently in accordance with the law of comparative costs in international trade. Pricing our goods out of home and overseas markets does reduce the RPI, but, as we have seen in the Budget, that advantage has to be paid for many times over by higher taxation and/or borrowing.

Sadly, we are now entering an election campaign in which these real issues and problems can't be mentioned. Perhaps only the crisis which ensues afterwards will force overvaluation and unnecessarily high interests to the forefront and force an incoming government to act. If it doesn't, deflation will become a way of life.

Austin Mitchell,
House of Commons,
London, SW1A 0AA

FINANCIAL TIMES
Tuesday March 17 1992

Independent inquiry ordered into UK group's promotion of migraine treatment

France to probe Glaxo sales methods

By **William Dawkins** in Paris and **Paul Abrahams** in London

THE French government yesterday ordered an independent inquiry into the ethical, legal and medical acceptability of the methods used by Glaxo, the UK pharmaceuticals group, to promote one of its newest drugs in France.

The social affairs ministry has appointed two senior law and medical professors to report within two months on Glaxo's promotion of Imigran, a migraine treatment. It will decide in the light of the findings whether to ask the European Commission to investigate possible abuse of a dominant market position, officials said.

Imigran was approved in Britain and the Netherlands last autumn, but has not yet received clearance from the French government, which also sets prices – through negotiation with producers – for drugs reimbursed by social security.

French officials suspect Glaxo of arranging heavy press coverage of Imigran's virtues to whip up demand from patients before the government has carried out full checks. Officials argue that migraine is hard to diagnose objectively and that doctors could come under unnecessary patient pressure to prescribe what is a costly treatment.

Imigran costs about £10 ($17.10) for each pill and about £20 for every injection. One US analyst estimates its sales could reach $10bn a year by the end of the decade.

Imigran is one of three new Glaxo products described by analysts as potential blockbusters. The company needs substantial revenue from Imigran, and two other drugs, Zofran, a treatment to curb nausea in cancer patients undergoing chemotherapy, and Serevent, an asthma drug, to make up for slowing growth in sales of the ulcer treatment drug Zantac, the world's best-selling pharmaceutical.

Analysts point out that pharmaceuticals companies selling in Europe have been unable to increase prices of existing products in line with inflation. Instead they have compensated by introducing new products at high prices.

They say Glaxo is also keen to charge a high price for the drug in France, a country with traditionally low pharmaceuticals prices, to help avoid parallel exports from France to other EC countries.

Glaxo said last night that its French company had not received a direct communication from the French government. The company said it was surprised that Glaxo France should be questioned and that it was confident that the French company had "acted properly and in a way consistent with the highest standards of our industry".

This is the second European government to show concern over Glaxo's commercial strategy. Denmark asked Brussels at the end of February to examine whether the UK company was abusing its position by charging too much for Imigran, Serevent and Zofran.

"If allegations over marketing hype as well as Glaxo's pricing went to the European Commission, this would certainly cause serious problems," said Mr Robin Gilbert, pharmaceuticals analyst at James Capel, the London stockbrokers.

This would undermine both Glaxo's strategy of charging high prices for innovative drugs and its policy of giving new products heavy advance publicity. Last month, Dr Ernest Mario, Glaxo deputy chairman, claimed the company was protected from pressure on prices because its new drugs would be able to command a premium.

London stocks, Page 31

Mandela urges whites to vote for reform as death toll rises in township street battles

Appeal to voters in S African referendum

By **Michael Holman** in Johannesburg

BLACK and white leaders warned white South Africans yesterday that turmoil and destruction lay ahead if they failed to endorse President F.W. de Klerk's reform strategy in today's referendum.

"The referendum is a date with destiny," Mr de Klerk said in a final appeal to voters as township tensions heightened in advance of today's poll of South Africa's 3.3m whites.

The death toll since the referendum campaign began three weeks ago yesterday rose to more than 270 as further violence broke out in townships around Johannesburg and Durban. Street battles erupted in Soweto and Alexandra near Johannesburg, where dusk-to-dawn curfews have been imposed. At least 14 people have died in the two townships since Sunday.

Mr Nelson Mandela, president of the African National Congress, urged whites to vote yes. A no vote would be a "tragic mistake" which would "give rise to a great deal of turmoil, perhaps unprecedented", Mr Mandela told a local radio station.

Any attempt by the right-wing Conservative party to re-introduce apartheid would "be resisted with all the power at our command," he said.

His implied threat of violence could push voters into the arms of the Conservatives.

Mr Pik Botha, foreign minister, in one of his bluntest speeches since the campaign began, painted a bleak picture of the consequences of voting against the reform process. "On one hand, you can vote for your own destruction . . . on the other hand, you can vote for the continuation of the negotiation process," he said.

Mr Botha told a lunchtime meeting in Johannesburg's City Hall: "I predict not a single government in the world would recognise a government based on the policies of the Conservative party.".

Dr Zach de Beer, leader of the liberal Democratic party, who joined Mr Botha on the platform, warned that a no vote would "cause immediate large scale internal conflict".

Dr Andries Treurnicht, leader of the Conservative party, used the last day of campaigning to stress one of the right wing's most effective points: voters were being asked to endorse negotiations which would lead to a new constitution, but would not be given a chance to decide whether they approved it.It would simply be approved by parliament, which is dominated by the ruling National party, and then put into effect. His party has tried to persuade undecided voters that a yes vote gives the government a blank cheque.

"I urge the white nation to say 'no' – and opt for a second chance to vote. An election will give you the opportunity to examine each party's policy in detail."

Results of the referendum will be released tomorrow.

Van Niekerk's crusade, Page 18

Andrew Ashwood

John Smith (centre), the British Labour party's shadow chancellor of the exchequer, and party officials in confident mood in London yesterday

Labour plans to ease UK tax burden

Continued from Page 1

scrapping the 2 per cent incentive paid to those who opt out of the State Earning Relations Pension scheme.

The documents accompanying his statement suggested that a single person earning £40,000 a year would be £1,500 a year worse off. For those on much higher incomes, the losses would rise dramatically. Labour's political calculation is that the package will be attractive to the vast majority of voters. All those earning less than £21,000 a year should gain. Mr Smith said a couple with two children and an income of £16,000 a year would gain £5.98 a week from the combination of higher tax thresholds, the abolition of the 2 per cent starting rate for National Insurance Contributions and higher child benefit.

His promise that 8 out of 10 taxpayers would benefit won the backing of the independent Institute for Fiscal Studies (IFS) which said 80 per cent would gain from the package.

British Liberal Democrats give coalition terms

By **Ralph Atkins and Philip Stephens** in London

THE Liberal Democrats, the centre party which could hold the balance of power if neither the Conservatives nor Labour wins a clear majority in the April 9 election, yesterday launched a manifesto emphasising constitutional reform.

Mr Paddy Ashdown, Liberal Democrat leader, said the party's "first aim" was to break free from Britain's outdated electoral system.

Reinforcing its conditions for support in the event of a hung parliament, the party said it would "neither support nor participate" in a government which "turns its back" on constitutional reform. It backed a single transferable vote electoral system for local, national and European elections with multi-member constituencies for Westminster MPs.

The Liberal Democrats also backed a 1 percentage point increase to 26 per cent in the basic rate of income tax to fund an extra £2bn ($3.4bn) education spending.

In the old parliament, the Liberal Democrats had 22 seats out of 650. The latest published opinion poll gave them 14 per cent of the vote. The current Financial Times forecast, based on a poll of polls, shows the Liberal Democrats winning only 16 seats but holding the balance of power.

The Liberal Democrats were founded in 1988 through the merger of the historic Liberal party, whose prime ministers included Gladstone and Lloyd George, and the Social Democratic party, founded only in 1981, mainly by defectors from the Labour party.

The Liberals have not been in government alone since 1915, but subsequently formed coalition governments with other parties. They helped to keep a minority Labour government in power in a pact which lasted from 1976 to 1978.

Mr Ashdown's aim is to demonstrate that his party is more than a spanner that they might choose to throw in Conservative or Labour works: that it has a distinctive message.

So he dwelt at length on his manifesto's blend of Conservative free-market economics and Labour's belief in public investment. It was not an attempt to look both ways at once, but a recipe that had brought proven success for Britain's continental European competitors, he said.

But the "what if" question will dominate the election campaign as long as neither of the main parties looks like securing an overall majority.

At the weekend, Mr John Major, the Conservative prime minister, apparently cleared up some of the confusion when he ridiculed the terms for coalition which Mr Ashdown has outlined in recent weeks.

Mr Ashdown yesterday could not admit the obvious implication of Mr Major's stance: that the only leader who he could sustain in office after an inconclusive election would be Labour's Mr Neil Kinnock. The reality of defeat, he said yesterday, might easily persuade Mr Major to change his mind.

Other Liberal Democrats believe Mr Major could not do a deal. Even if he could, it would be a fatal mistake for Mr Ashdown to sustain a Conservative prime minister.

Their judgment is that the party will probably improve on its present standing in the opinion polls but there is no prospect of the decisive breakthrough – to about 30 per cent of the votes – needed to boost significantly its number of MPs. In those circumstances, an inconclusive result would hold as many risks as opportunities.

Editorial Comment, Page 18

Shares on Tokyo exchange close at lowest level for five years

Continued from Page 1

Mr Tsuneo Nakamura, managing director of Yamaichi Securities, one of the big four brokers, said: "Market statistics indicate that we have already entered the final stages of the correction period."

In contrast to October 1990, when the Nikkei last dropped through 20,000 in intra-day trading and the finance ministry announced a package of market-boosting measures, the authorities yesterday maintained a studious calm.

Mr Tsutomu Hata, finance minister, said the decline did not affect economic fundamentals and could prove short-lived. He added that the ministry was not considering steps to shore up prices.

Ministry officials now believe changes to trading and other rules do little to help stock prices in the long run and distort markets. In recent weeks, they have encouraged a tightening of rules governing stock futures trading, in response to complaints from Japanese brokers who blamed the market's weakness on over-aggressive futures trading by foreign securities companies.

Politicians, however, repeated calls for further cuts in interest rates, urging the Bank of Japan to reduce the official discount rate from its current level of 4.5 per cent. Mr Yasushi Mieno, central bank governor, told a parliamentary committee that he was studying the effect of previous reductions.

Japanese bond prices remained virtually unchanged, evidence of the fact that investors were well prepared for the fall in equities. But on the foreign exchanges the yen lost ground against the US dollar.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	16	61
Algiers	S	19	66
Amsterdam	S	7	45
Athens	S	16	61
Bahrain	C	17	63
Bangkok	F	34	93
Barcelona	S	16	61
Beijing	S	6	43
Beirut	S	16	61
Belfast	C	11	52
Belgrade	F	8	46
Berlin	C	5	41
Biarritz	C	12	54
Bombay	S	31	88
Bordeaux	F	14	57
Boulogne	C	9	48
Brussels	S	9	48
Budapest	F	5	41
Buenos Aires	C	27	80
Cairo	F	21	70
Cape Town	S	23	73
Caracas	F	27	81
Casablanca	F	19	66
Chicago	S	-4	25
Cologne	C	7	45
Copenhagen	S	5	41
Corfu	F	11	52
Dallas	S	12	54
Dublin	C	11	52
Dubrovnik	-	-	-
Edinburgh	F	13	55
Faro	S	20	68
Florence	S	18	64
Frankfurt	C	7	45
Geneva	F	11	52
Gibraltar	S	17	63
Glasgow	C	12	54
Helsinki	C	2	36
Hong Kong	-	-	-
Innsbruck	C	3	37
Inverness	C	12	54
Islamabad	F	22	72
Istanbul	F	8	46
Jakarta	R	31	88
Jersey	F	10	50
Johannesburg	S	26	79
Lima	-	-	-
Lisbon	S	21	70
London	C	13	55
Los Angeles	F	12	54
Luxembourg	F	5	41
Madeira	C	17	63
Madrid	S	18	64
Majorca	S	18	64
Malaga	S	19	66
Malta	S	18	64
Manchester	C	11	52
Manila	F	34	93
Melbourne	C	16	61
Mexico City	F	23	74
Miami	S	16	61
Milan	S	16	61
Montreal	S	-15	5
Moscow	C	0	32
Munich	F	2	36
Nairobi	C	26	79
Naples	F	18	64
Nassau	C	24	75
New Delhi	S	24	75
New York	S	-7	19
Nice	S	16	61
Nicosia	C	15	59
Oporto	S	19	66
Oslo	S	3	37
Paris	C	8	46
Prague	F	3	37
Reykjavik	H	3	37
Rhodes	R	14	57
Rio de Janeiro	F	33	91
Rome	S	16	61
Salzburg	Sn	2	36
San Francisco	F	11	52
Seoul	R	7	45
Singapore	F	32	90
Stockholm	S	4	39
Strasbourg	F	7	45
Sydney	R	20	68
Taipei	F	29	84
Tangier	S	17	63
Tel Aviv	S	17	63
Tenerife	F	20	68
Tokyo	R	11	52
Toronto	S	-13	9
Tunis	C	17	63
Valencia	S	17	63
Venice	F	11	52
Vienna	S	3	37
Warsaw	Sn	1	34
Washington	S	-8	21
Zurich	C	6	43

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

Labour turns on the charm

There is an aura of the counterfeit about Mr John Smith's budget red book. It is the same colour and shape as the official Treasury one. It has the same PSBR for 1992-3 and the same commitment to the present central rate in the ERM. As with most counterfeits, however, what you see is not quite what you get.

Labour's PSBR assumes the full benefit of the £8bn of privatisation receipts that the Tories have pencilled in for 1992-3. It is difficult to track down more than £6bn of receipts that are already in the bag. So, Mr Smith already looks in danger of missing the target before he has even started. He is also strangely silent about the cost of the increased capital allowance, which is conveniently deferred to 1993-4. Even yesterday's programme thus appears to point to further slippage in government finances.

That might matter less if the Labour budget contained some clever ruse for boosting growth. The increased capital allowance is unlikely to produce much additional investment when many companies are paying no corporation tax anyway, but it will have a large deadweight cost. The transfer of spending power to the lower paid might provide a boost at the margin, not least by slowing the rate of repossessions which have been concentrated at the lower end of the housing market. The point, however, is as moot as the attempt to redistribute spending power must appear draconian to affluent voters in marginal seats. Perhaps that is why the markets were not particularly bothered.

Japan

The Nikkei's drop below 20,000 makes it all the harder to justify buying Japanese equities. The fresh scandal at Daiwa Securities and the weakness of the yen have reduced the scope for the authorities to implement effective rescue measures for the market. Perhaps that explains why some investors were clutching at straws in pointing out that, whereas the Nikkei fell 3 per cent yesterday, the broadly-based Topix index fell only 1.3 per cent. That went against the recent trend for the Topix. Equally, selling pressure by corporate investment "tokkin" funds approaching their year-end was not strong enough to explain the slide in equities.

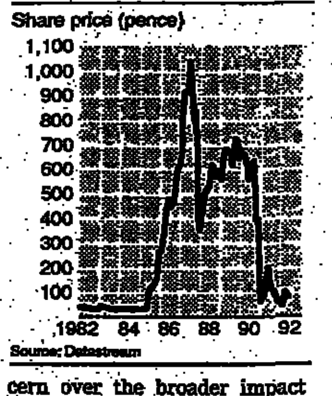
At least the calm reaction in London and New York to the Nikkei's fall suggests that concern over the broader impact on world markets has been exaggerated. A few months ago the international community was worried about the impact on Japanese bank capital adequacy ratios. Now it appears resigned to the withdrawal of Japanese banks from the lending scene. The main anxiety is the domestic economy.

Japanese institutions have been heavy buyers of US bonds which yield 2.6 per cent more than the home-grown variety. The resulting capital outflow has weakened the yen to a point which appears to rule out the sort of interest rate cut needed to stabilise the equity market. Only the bravest contrarians will want to buy shares.

FT-SE Index: 2,470.7 (-5.3)

WPP

Share price (pence)



Source: Datastream

WPP

It is one thing not paying a dividend. It is quite another publishing a profit and loss account drawn up to a specification laid down by your banks. That at any rate seems to be the reality of yesterday's decision by WPP to release £44m of property provisions and other excess liabilities as exceptional items, thereby enabling the heavily indebted group to comply with its interest rate covenants for last year.

The question is whether the lenders will be so easily satisfied in 1992. Notwithstanding a slightly disappointing dip in WPP's 1991 revenues, they can at least derive some encouragement from operating margins which were better than Saatchi's and from the recent new business success. On current trading assumptions, however, the probability is that they will shortly be confronted with a request for new cash. Asset disposals may be part of the price for continuing support, with Scali, McCabe, market research, and the Far Eastern advertising operations the three favourite candidates. While Tokyo's fall is hardly helpful in this regard, a more significant worry is whether the drop in interest charges which would result from such sales would not be largely offset by a loss of cash flow.

The risk for ordinary shareholders remains a Saatchi style capital reconstruction which would hugely dilute their interest. Without it, the shares might be cheap. But the fact that the combination of WPP's fully diluted market capitalisation, average net debt, and payment obligations to senior staff represents 55 per cent of gross revenues – as opposed to 65 per cent in Saatchi's case – reflects the market's continuing unease.

Perrier

The battle for Source Perrier looks to have swung decisively in favour of Nestlé thanks to yesterday's court decision to cancel a 13.8 per cent stake in the French water company previously controlled by the rival Agnelli camp. Combined with an earlier ruling, the effect is to reduce the Agnellis' voting stake from 49 per cent to 32 per cent, just below what is needed for a blocking minority.

If the market is right and the heavyweight Swiss group wins the subsequent auction, minority shareholders will hardly complain. The current saga admittedly began with an attempt at creeping control, while the legal obstacle course facing the two sides has hardly proved to be good publicity outside France. On the other hand, the final price offered for Société Générale de Belgique in 1988 demonstrated that on the rare occasions when bidding wars do develop on the continent minorities can be the winners.

Christies

There are two explanations for the admission by Christies International that its reduced dividend will form the basis for future payments. Either it is bravely doing what many other companies should do and admitting to long delays before profits recover. Or it simply cannot disguise the dire state of the art business.

There is not much chance of a rescue from Japan, whose once lavish spenders have now turned sellers. With the shares on an exorbitant forward multiple of around 35, the market will probably extract a price for candour, whatever its motivation.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday March 17 1992

INSIDE

SIA campaigns for open skies policy

Singapore Airlines has launched a campaign for a global "open skies" policy to replace the existing regulatory system governing the international air transport industry. The current bilateral system, dating back to 1944, has become "the biggest single barrier to airline stability and profitability", according to Mr Cheong Choong Kong, SIA's managing director. Page 23

Turtle replacement flops

Dwindling sales of Teenage Mutant Ninja Turtles resulted in Hong Kong toy company Playmates International announcing a 27.5 per cent drop in 1991 earnings to $HK881.6m (US$114m) in 1990. It remained the most profitable toy company in the world. The much-vaunted "Toxic Crusaders", which include Headbanger (above), a demented scientific genius fused to a dim-witted friendly messenger of singing telegrams, was a big disappointment, with the grotesque figures withdrawn within a year. Page 23

Christies cuts final dividend

Christies International, the auctioneer, slashed its final dividend after pre-tax profits fell from £43.1m ($75.85m) to £6.4m in 1991. The final dividend was set at 1p, down from 6p, to give a total of 3.3p. Even so it was not covered by earnings per share of 2.12p. Mr Christopher Davidge, managing director, said he thought the art market had now bottomed out. Page 27; Lex, Page 28

Double trouble

This is a crucial time for South Africa, and in particular for Mr Kraai van Niekerk, the country's minister of agriculture. He has two pressing problems – campaigning for a vote for continuing reform of the country's political system, and the drought which has affected a significant proportion of the Republic. Page 30

Istituto Bancario San Paolo

Istituto Bancario San Paolo di Torino owns 2.23 per cent of Salomon, not 12.23 per cent, as was shown in a diagram on this page yesterday.

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				Falls			
Goldschmidt	850	+	30	Air Liquide	761	-	14
Rosenthal	288	+	14	CGIP	1200	-	37
Sud Chemie	558	+	8	Cred Lyon	374	-	13
Falls				Geophysique	624	-	22
Asko	840	-	13	Sagem	1745	-	43
Deckel	135.2	-	9.8	UAP	544	-	10
Linotype	820	-	23	**TOKYO (Yen)**			
NEW YORK ($)				Rises			
Rises				D'Urban	799	+	79
Chrysler	17¼	+	⅞	Falls			
Ford	37⅞	+	1⅛	Daito Wool	1470	-	210
Microsoft	124⅛	+	3¼	Godo Steel	1740	-	190
Unisys	10	+	⅞	Hino Motors	650	-	60
Falls				Marusan	871	-	63
Nike	70¼	-	3⅞	Okuma	1010	-	100
Pfizer	70½	-	⅞				
LONDON (Pence)							
Rises				Clinton Cards	61	-	3
Berkeley	157	+	6	Feedback	19	-	4
Enterprise	371	+	9	Inchcape	225	-	12
GKN	344	+	9	Laporte	579	-	12
Harrington	160	+	7	Lex Service	197	-	8
MTM	84	+	14	Lonrho	85	-	10
Malvern Group	37	+	7	Scott & Newcastle	443	-	13
Medeva	273	+	9	Tottenham Hots	106	-	7
Renold	55½	+	8	WPP	80	-	15
Falls				Wace	99	-	7
Central TV	1290	-	20	Wellcome	964½	-	18½
Charter Cons.	480	-	9				
Christies Intl	115	-	12				
Crane Hooper	8	-	3				

Italian stake in Fokker revealed

By Ronald van de Krol in Amsterdam and **Robert Graham** in Rome

THE SCRAMBLE by European aircraft manufacturers to consolidate their position in the regional jet market took a twist yesterday with the disclosure that Finmeccanica, the Italian state-controlled holding group, had accumulated a 6.02 per cent stake in Fokker, the Dutch aircraft group. The stake is worth Fl 71.5m ($38.1m) at Fokker's current share price.

The announcement coincides with negotiations between European aircraft groups to try to rationalise the loss-making European regional aircraft industry.

Last week, Fokker announced it was in discussions with Deutsche Aerospace to expand collaboration in regional jets. The German company will participate in Fokker's plans to develop a smaller version of its Fokker 100 jet.

With the purchase of the Fokker stake, Finmeccanica appears to be hedging its position in the current restructuring of the industry to ensure it will play a role in the development of a new regional jet. The Italian company declined to comment yesterday.

The disclosure comes at an embarrassing time for Finmeccanica and its aerospace subsidiary Alenia. The French authorities have been pressing the Italian group for an early decision on injecting $250m to increase the capital of SGS-Thomson, the semiconductor venture in which Finmeccanica has a 45 per cent stake. However, Finmeccanica has been saying it lacked funds. Its secret acquisition of the Fokker stake is unlikely to please the French.

Its Alenia subsidiary is in partnership with Deutsche Aerospace and Aerospatiale of France to develop a family of 90 and 120-seater regional jets, but the German group appears increasingly reluctant to launch the new $2.5bn programme at this stage.

Finmeccanica's investment in Fokker came to light as a result of a new Dutch law introduced last month requiring shareholders to disclose stakes of 5 per cent or more in quoted Dutch companies.

Fokker declined to say if it believed the Italian stake was a long-held investment or a more recent purchase. However, some industry officials suggested last night that Finmeccanica had held an undisclosed stake in Fokker for some time.

Additional reporting by Paul Betts in London

Iacocca's successor to come from General Motors Europe

Eaton to take over at Chrysler

By Alan Friedman in New York

THE long-running search for a new head of Chrysler, the third biggest US carmaker, ended yesterday when Mr Robert Eaton, the president of General Motors Europe, was named to succeed Mr Lee Iacocca as Chrysler's chairman and chief executive.

Mr Eaton, 52, takes over when Mr Iacocca steps down on December 31, but will take office immediately as Chrysler's vice-chairman and chief operating officer.

The naming of Mr Eaton followed a weekend of activity at the company. Mr Eaton flew to New York, where he met Mr Iacocca and a group of Chrysler directors for a meeting that lasted until midnight on Saturday. Mr Iacocca said yesterday the board had considered a dozen candidates over the past six months.

The man seen as the main victim of Mr Eaton's appointment is Mr Robert Lutz, the former head of Ford Europe who joined Chrysler in 1986.

Mr Lutz said yesterday he would continue as Chrysler president, reporting to a revived Office of the Chairman that will consist of Mr Iacocca and Mr Eaton.

Mr Lutz, whose strengths lie in inspiring distinctively designed and engineered cars, was perceived by many as heir apparent. His position seemed to be strengthened last month after the abrupt departure of another candidate for the top job, Mr Robert Miller, the vice-chairman who helped Mr Iacocca to bring Chrysler back from the brink of bankruptcy a decade ago.

Mr Eaton will face significant managerial and financial challenges. Chrysler, in common with other US carmakers, is suffering from weak US consumer demand, and strong competition from Japanese and European car imports. It has the particular problem of refinancing some $3.9bn of maturing debt over the next 15 months at its consumer credit subsidiary.

One of the key issues for Mr Eaton is whether to seek a merger or joint development venture with a non-US vehicles company. In 1990 Chrysler broke off alliance talks with Fiat of Italy. Chrysler, with around 90 per cent of its revenues in the US, has the smallest overseas presence of the Big Three of Detroit.

Mr Lutz is said to have angered Mr Iacocca last summer when he was quoted in a Detroit newspaper comparing Chrysler to a "dying woman who wasn't getting any marriage proposals". Mr Iacocca said yesterday that Chrysler had enough products to compete without needing a merger for at least five years.

Wall Street seemed largely unmoved by the job changes, but the share price of Chrysler nudged $¼ higher to $17.

Eaton's challenge, Page 24

Detroit's wheel of fate spins once more

History seemed to repeat itself yesterday for Mr Lee Iacocca, the flamboyant boss of Chrysler, in the corporate politics surrounding the naming of Mr Robert Eaton as his successor.

In the late 1970s Mr Iacocca was the brash second-in-command at Ford, champing at the bit for Mr Henry Ford to step aside so that he could take over. In 1978, when Mr Ford demurred, Mr Iacocca left Ford for Chrysler.

Mr Iacocca, now a slightly tarnished hero of 1980s corporate America, has lately found himself in the same role that Mr Ford was playing.

Mr Robert Lutz, the Swiss-born Chrysler president hired by Mr Iacocca in 1986 from a languishing career in the senior ranks of Ford, seemed to many to be Mr Iacocca's heir apparent. But he has been at odds with Mr Iacocca for several months and has made no secret of his desire to succeed him, even building support among institutional shareholders, Wall Street analysts and allies in the executive suite.

Lee Iacocca

Mr Iacocca's status as an American folk hero rests on his reputation as the man who led Chrysler back from the brink a decade ago by hectoring Congress into approving $1.5bn of loan guarantees.

His reputation has been compromised by Chrysler's renewed problems, but that did not prevent Mr Iacocca from playing the same trick on Mr Lutz that Mr Ford had played on him back in 1978.

The question now is whether Mr Lutz, effectively demoted, will stay on under Mr Eaton. Mr Lutz admitted he was "disappointed" yesterday, but pledged to stay on. And Mr Iacocca, with characteristic hyperbole, called reports of a rift between him and Mr Lutz "crap with a capital C".

A second issue is whether Mr Iacocca, 67, will be able to restrain himself when he retires at the end of this year. He will stay on as a board member and chairman of the executive committee, giving him a platform from which to keep an eye on his successor – and continue his trenchant criticism of Japan.

Yesterday, Mr Iacocca promised he would not be "a big force" after he hands over to Mr Eaton. It was noticeable, however, that at yesterday's press conference Mr Eaton embraced Mr Iacocca's protectionist views. He said he used to favour free trade, but now supports Mr Iacocca on the need to cut the trade deficit with Japan.

Robert Eaton: moving into the driving seat at Chrysler

Dealing with his predecessor is only one of Mr Eaton's problems. Chrysler lost $795m last year, compared with 1990 earnings of $68m.

By comparison with the $4.5bn lost by General Motors in 1991, this seems small. But it will not be easy for Chrysler to improve its financial health quickly. Much of this year's hopes are pinned on two new product launches with which Mr Lutz – known as a product man – is associated: the Jeep Grand Cherokee and the LH series of mid-sized saloons.

Mr Iacocca made clear last month that Chrysler expects to suffer a significantly larger first quarter 1992 pre-tax loss than the $74m deficit of the last quarter of 1991.

The company's credit rating has been lowered to junk bond status. Its wholly owned Chrysler Financial consumer credit subsidiary needs to refinance $2.9bn of maturing debt this year and a further $1bn in the first half of 1993.

GPA in move to reassure investors

By Roland Rudd in London

GUINNESS Peat Aviation, the world's biggest aircraft leasing company, yesterday announced measures designed to show investors that its management was "locked in" to the company for the foreseeable future after its proposed flotation in June.

The flotation, which could value the group at more than $3bn, will be one of the most ambitious attempts to market shares in New York, London, and Tokyo.

The group made a preliminary filing with the Securities and Exchange Commission in Washington on Friday.

The Shannon-based group is to split the roles of chairman and chief executive which have been held by its founder, Dr Tony Ryan, since 1985.

Mr Maurice Foley, president, who had planned to retire from his executive duties in October, is to become chief executive where he will remain for at least two years. Dr Ryan, whose contract expires in March 1994, has agreed to stay on as chairman until mid-1996. In light of the UK's sensitivity to corporate governance Sir John Harvey-Jones, joint deputy chairman, said: "It is particularly appropriate with a public listing in view to split the roles of chief executive and chairman."

The rest of the senior management has agreed to stay on for at least two years after the float.

Advisers to the group have not yet agreed with the company how many shares, if any, the directors should be allowed to sell during the flotation. The advisers are keen that the management should be seen to have full confidence in the group.

Dr Ryan owns around 8 per cent of the stock which could be worth around $200m. The rest of the management owns around 5 per cent of the shares.

There is unlikely to be any selling by the management for a period of six to 12 months after the sale to help create a stable aftermarket.

Advisers to the group are keen to simplify the complex share structure of the group. Dr Ryan's shareholding is held in A ordinary shares, which pay out his remuneration in dividends linked to profits. This is likely to be converted into ordinary shares. However, the advisers cannot unilaterally end the arrangement, which has tax advantages, and are negotiating a lump sum with Dr Ryan as compensation for converting his stock into ordinary shares.

Observer, Page 18

WPP blames 38% drop on decline in advertising

By Gary Mead, Marketing Correspondent

WPP, the world's largest marketing services group, yesterday reported a 38 per cent fall in pre-tax profits for 1991; they fell from £90m to £56.1m ($96.2m), although without exceptional items, pre-tax profits were £38.36m.

Group revenues fell by nearly 5 per cent to £1.2bn (£1.26bn), on turnover down 7 per cent to £5.08bn (£5.46bn). Earnings per share fell 64 per cent, from 78.1p to 27.9p and, as in 1990, no dividend is to be paid.

The results were slightly worse than expected by analysts and WPP blamed falling advertising expenditure for its profits' collapse.

The group shed 8 per cent of its staff during the year (from 22,308 to 20,514), but salary costs shrank only 2.3 per cent.

The group sector revenues most badly affected were non-media advertising (such as sales promotion and design), down 13 per cent; and public relations, down 11 per cent. Hill and Knowlton, WPP's public relations branch, recorded a loss.

However, strategic marketing services' revenues grew 8 per cent, and the group gained net new accounts worth £995m during the year, equivalent to more than £149m of net new revenues.

Revenues fell 8.8 per cent in the US and 5.5 per cent in the UK but rose 1.4 per cent in the rest of the world.

Operating margins fell to 7 per cent from 10.5 per cent; WPP's interest bill was £45.8m in 1991 against £42.9 in 1990.

By the end of the year, net debt increased to £334m against £297m at the end of 1990, although the group traded within its banking covenants during 1991.

WPP warned that, as little prospect of economic recovery was in sight for 1992, debt repayments scheduled for 1993 might need renegotiation. Last April, WPP completed a financial restructuring package; consolidating $270m of working capital facilities, a $604m medium-term loan and $100m of uncommitted facilities into a committed medium-term facility. The $604m loan must be repaid over four years from June 1993. The rest is to be repaid or refinanced by June 1993.

WPP's banks are now likely to push for asset disposals in the US and Asia to smooth debt renegotiations.

Analysts are forecasting pre-tax profits of between £55m and £75m for 1992.

Lex, Page 20

Maxwell at 'phantom' meeting

By Bronwen Maddox in London

A "PHANTOM" board meeting in September 1991 at which Mr Robert Maxwell authorised stock-lending from the Maxwell pension funds was unknown to pension trustee directors, it emerged yesterday.

Confidential minutes of the board meetings of Mirror Group Pension Trustees, obtained by the Financial Times, show that the only directors present at a meeting on September 2 were Mr Maxwell and his son Ian, together with Mr Trevor Cook, the pensions manager.

At the meeting, Mr Robert Maxwell, the MGPT chairman, drafted a letter assuring Invesco MIM, one of the managers of the pension funds, that the stock-lending – lending out assets to boost income – was approved by the board of MGPT.

However, in one of the crucial sections of a forthcoming report by the parliamentary committee on pension reform, to be published after the coming UK general election, other directors of the Mirror Group Pension Trustees say emphatically they were unaware pension fund assets had been lent until after Mr Robert Maxwell's death.

Several, contacted yesterday, said they had only recently become aware of the September 2 board meeting and the letter to Invesco.

Stocklending with inadequate collateral was the mechanism Mr Robert Maxwell used to divert £400m ($704m) from the care of pension fund managers to his collapsing private companies.

One pension trustee director, who asked not to be named, said yesterday that the directors had received legal advice that although the board was quorate with only two directors present, decisions could be deemed to be illegal if the rest of the board was not made aware.

Mr Cook, not a director of MGPT, confirmed yesterday that he had signed and sent the letter to Invesco on Mr Robert Maxwell's orders, and that as far as he was aware the minutes of that meeting had been filed in the normal way.

The letter, on Mirror Group Newspapers paper, addressed to Mr James Scrymgeour-Wedderburn of Invesco MIM, says "at your request we confirm our earlier advice that you take instructions from Bishopsgate Investment Management", the investment company, chaired by Mr Robert Maxwell, which managed the bulk of the pension funds.

INTERNATIONAL COMPANIES AND FINANCE

Profits at Lafarge Coppée tumble 44% to FFr1.2bn

By William Dawkins in Paris

LAFARGE Coppée, the world's leading construction materials group, yesterday announced a 44 per cent decline in annual profits, its first downturn for eight years.

Mr Bertrand Collomb, chairman, attributed the setback to the deep recession in the US construction industry, competition from allegedly dumped imports into Spain, and a collapse in plasterboard prices across Europe.

Group net profits fell from FFr2.19bn ($390m) in 1990 to FFr1.23bn, on turnover down by 2.7 per cent to FFr31.6bn. Adjusting for exchange-rate changes and acquisitions, sales fell by an underlying 4.6 per cent, said Mr Collomb. "Clearly, it has been a bad year," he said.

The chances of a recovery this year depended on a pick-up in the US and Canada, where Lafarge lost the equivalent of FFr650m last year. Mr Collomb believed the US market touched bottom last year, with a 9 per cent decline in sales. However, Lafarge's order books there had not yet shown any real sign of a pick-up.

Spain added a FFr240m loss, where prices have been hit by cut-price imports from Romania, Turkey and Tunisia, currently the subject of a European Commission anti-dumping investigation.

Meanwhile, Lafarge's plasterboard division, which accounts for 8 per cent of group sales, lost FFr210m because of fierce price competition with Britain's BPB Industries – the European market leader – and Knauf of Germany. The trio hold more than 90 per cent of European plasterboard sales.

Mr Collomb estimated that French plasterboard prices fell 28 per cent last year, and that the European plasterboard industry had around 20 per cent overcapacity, the equivalent of four or five years' growth. Lafarge Coppée would continue to defend its 25 per cent market share and believed that prices could recover this year.

However, sales and profits held up well in French and Moroccan cement sales, new materials – Lafarge's fastest growing business – and biochemicals.

The group continued with acquisitions, spending FFr1.9bn on eastern Europe, the Mediterranean and south-east Asia. This left debts slightly up, at FFr9.1bn, where they represented 37 per cent of shareholders' funds by the end of year, against 33 per cent.

Gearing was "reasonable and prudent" and Lafarge planned to keep it at around that level for the foreseeable future.

Wolters Kluwer net up 24%

By Ronald van de Krol in Amsterdam

WOLTERS Kluwer, the Dutch publisher, said net profit rose 24 per cent to Fl 214m ($114m) in 1991. It forecast further increases in profit and turnover for 1992.

The company, one of the Netherlands' Big Three publishers, said yesterday it would raise its 1991 dividend to Fl 1.16 a share from Fl 1.00 in 1990.

Operating profit in 1991 increased by nearly 30 per cent to Fl 362m, on turnover up 17 per cent at Fl 2.38bn. The company said two core business activities in particular – legal and medical publishing – saw the biggest gains in operating results.

Wolters Kluwer, which is also active in business, scientific and educational publishing, operates mainly in Europe and the US.

The 1991 results include Fl 6m in after-tax extraordinary charges for reorganisations being carried out in the UK and the Netherlands. In 1990, Wolters Kluwer incurred net extraordinary charges of Fl 3m.

Wolters Kluwer repeated its previous medium-range forecast that turnover would reach Fl 2.7bn in 1994, and that it would see at least 17 per cent annual growth in fully-diluted profit per share between now and then.

In 1991, net profit per share rose by 17 per cent to Fl 3.46.

Fugro-McClelland in partial flotation

By Ronald van de Krol

FUGRO-MCCLELLAND, the Dutch-based group of consultancy engineers, is to float roughly one-third of its shares on the Amsterdam Stock Exchange next month. It wants to raise up to Fl 128m ($68m) to finance a recent acquisition in the US and to fuel growth.

The company will offer 3.2m shares to the public, at between Fl 37 and Fl 40 each, with the final price to be announced on March 30.

Trading in the shares will begin on April 7, marking the first company flotation in Amsterdam so far this year. Of the shares on offer, 1.66m are existing shares held by several Dutch institutional investors and venture capital firms. The rest will be newly issued.

Fugro-McClelland, the product of a 1987 merger between Fugro of the Netherlands and McClelland Engineers of the US, will use part of the proceeds to repay a Fl 59m loan it took out in 1991 to finance half of its acquisition of John E. Chance, a US surveying company.

The consultancy group, with annual turnover of Fl 310m and a workforce of 2,200, is active in geo-technical and offshore services, surveying and environmental consulting. It has more than 100 offices in 30 countries.

Hypo-Bank seeks extra DM910m in rights issue

By Andrew Fisher in Frankfurt

BAYERISCHE Hypotheken- und Wechsel-Bank (Hypo-Bank) plans to raise around DM910m ($545m) in the next few months, through a one-for-six rights issue, to help finance its expansion.

Like other German banks, the Munich-based institution experienced a big jump in profits last year. In the first 10 months, operating profits rose 24 per cent to DM1.1bn. Partial operating profits, which exclude trading on the bank's own account, were 11 per cent higher at DM972m.

The bank said the new shares would be offered at DM330 each, probably from the end of April, and would rank for the full 1992 dividend. Yesterday, Hypo-Bank's shares closed at DM343, down DM2.

Mr Eberhard Martini, chief executive, hinted in December that a capital increase might be implemented this year in line with the growth of the bank's business. Hypo-Bank has been expanding in east Germany, where it has 27 branches, and has just opened a subsidiary in Prague.

Part of last year's higher earnings are being used to increase the bank's provisions against uninsured Soviet debt. Cover is being raised from a quarter of its exposure of nearly DM600m to more than two-thirds. It is keeping the dividend unchanged at DM13 a share.

● Generale Bank, Belgium's largest, is seeking a foreign acquisition, preferably in Germany, executive committee chairman Ferdinand Chaffart said.

"We have a priority for acquisitions abroad – in the Netherlands, England and, above all, Germany," he said.

"I consider an acquisition in Germany should be favoured, even if many people here would prefer an opening in the Netherlands." He said he would seek a capital increase if two investment opportunities arose at the same time.

Last year, the bank acquired a majority stake in French Banque Parisienne de Crédit.

MTM shares see-saw on inquiry

By Richard Gourlay in London

SHARES in MTM, the speciality chemicals company, swung wildly yesterday as the London Stock Exchange investigated circumstances surrounding the company's two recent profits warnings within six trading days.

As stock exchange officials interviewed analysts about announcements and briefings made to them by Mr Richard Lines, the company's chairman who resigned last week, the exchange refused to suspend MTM's shares.

It is understood that Robert Fleming, MTM's advisers, did not give the stock exchange adequate reason why the shares should be suspended.

MTM's shares closed 14p higher at 84p, after falling to 55p, barely one-fifth of their level before Mr Lines's warning on March 2 that disagreement with the auditors over accounting policy meant profits would be substantially lower than City expectations.

Fleming asked the exchange for the shares to be suspended before a second warning on March 9.

In this announcement, MTM admitted that there was a problem with trading profits and a disagreement over accounting.

MTM's non-executive directors said yesterday that final results, already postponed, might not be available as anticipated on March 31 because the auditor, Binder Hamlyn, was investigating the share price fall.

As MTM entered its third week of uncertainty, it emerged that Mr Lines knew nine months ago about the differences of opinion with his auditors.

Binder Hamlyn wrote to him about the matter in June last year.

Sources close to the company also said that last year MTM was involved in certain questionable transactions that now are receiving closer examination.

The accounting problem revolves around MTM's capitalisation of interest and development during the start-up and construction of capital projects.

Binder Hamlyn is understood to be cracking down on this practice.

MTM could eventually report trading profits up to 40 per cent lower than the £23m pre-tax figure which the City had forecast just before the profits warning.

The stock exchange is reluctant to suspend a company's shares unless there are severe financial problems that threaten an orderly market in the shares or unless it is told that a Department of Trade and Industry or Serious Fraud Office investigation is to take place.

MoDo forced to slice payout

By John Burton in Stockholm

MODO, Sweden's third largest pulp and paper company, yesterday announced that profits after financial items dropped by 82 per cent to SKr221m ($36.8m) for 1991. It plans to cut its dividend to SKr7 from SKr13.

The result was better than MoDo's forecast of break-even for 1991. The company said it was too early to give a forecast for 1992.

Sales last year fell by 5.5 per cent to SKr17.4bn, as the recession and excess production capacity depressed pulp and paper prices.

Although pulp prices have started to rise, the outlook for price increases for fine paper, newsprint and magazine paper remains uncertain.

Operating profits dropped by 50 per cent to SKr969m. Although most of MoDo's divisions reported earnings close to 1990 results, the MoDo Paper group swung into a loss of SKr194m after a profit of SKr617m a year earlier.

MoDo also wrote off SKr145m against its operating result for the planned reduction of personnel this year, as part of a rationalisation programme.

MoDo intends to cut costs by SKr500m to SKr15bn by the end of 1993. This will include the elimination of 2,000 jobs.

● Danish medical measuring equipment maker, Radiometer, has agreed to buy family-controlled laboratory equipment producer, Struers, for DKr93.5m ($14.4m).

It said it had been looking for a strategic alliance after a fall in sales which left it with a DKr13m net loss in 1990-1991. The deficit came despite cost cuts and staff reductions. It forecast a DKr7m loss in 1991-1992 and a swing to a small profit the following year.

Nobel falls well short of target

By John Burton

NOBEL Industries, the Swedish chemicals group, yesterday reported a 51 per cent decline in profits after financial items, to SKr460m ($76.6m) for 1991, a result substantially lower than the company's forecast of SKr700m.

The dividend, which was SKr0.75 in 1990, will be passed this year because Nobel posted a loss of SKr5.08bn after extraordinary items. This was due to its involvement with Gamlestaden, the finance company which collapsed last summer after bad property loans exhausted its capital.

Nobel was subsequently rescued by the state-owned Nordbanken, which has become the principal owner of the concern.

Group sales fell by 6 per cent to SKr24.7bn, primarily due to the takeover of its Bofors armaments division by Swedish Ordnance. Nobel predicted that earnings after financial items would improve this year, although the operating results would probably remain weak.

One reason for the fall in earnings last year was that income from portfolio investments dropped to SKr96m from SKr408m in 1990.

A programme to concentrate activities in a few core areas will continue, with Nobel recently having sold its consumer products division.

Operating earnings for its adhesive and paints group, the company's largest division with sales of SKr9.3bn, rose by 29 per cent to SKr315m. Although sales of chemicals for the pulp and paper industry rose by 28 per cent to SKr4.3bn, operating profits fell by 46 per cent to SKr121m due to heavy investment spending.

Linde beats trend with pre-tax rise

By Andrew Fisher

LINDE, the diversified German industrial company, managed to beat off the worst effects of the worldwide economic slowdown last year, with a 10 per cent rise in pre-tax profits to DM528m ($315m).

Based in Wiesbaden, near Frankfurt, the company is the world's biggest producer of fork-lift trucks, having bought Lansing Bagnall of the UK four years ago. Its other activities include industrial gases, heavy plant manufacture, and refrigeration systems.

Group turnover in 1991 increased by 14 per cent to DM6.9bn. Although new order inflow was 8 per cent lower at DM6.8bn, Linde said there was an increase of 10 per cent to DM5.8bn when the plant division – which booked an unusually big DM1.1bn order in the previous year – was excluded.

The dividend is being maintained at DM15 a share, as indicated by Mr Hans Meinhardt, the chief executive, last November.

● Fresenius, the German pharmaceutical and medical products group, has acquired the fusion solutions, dialysis solutions, and irrigation solutions activities of BASF.

Fresenius had group sales of DM1.2bn in 1991.

Playmates profit turns turtle as sales dwindle

By Simon Davies in Hong Kong

DWINDLING sales of Teenage Mutant Ninja Turtles resulted in Hong Kong toy company Playmates International announcing a 27.5 per cent drop in 1991 earnings to HK$881.6m (US$114.5m) from HK$1.22bn in 1990.

But it remained the most profitable toy company in the world. The Mutant Turtles were the best-selling toy in the US last year, in their fifth year on the market, while Playmates' new "WaterBabies Doll" became the number one baby doll in the US.

The company blamed an overall fall in sales on the "difficult overall retail climate". Playmates had announced an 8 per cent increase in profit at the interim stage, but the anticipated surge in Christmas sales failed to materialise.

The company said it took "a decision not to ship heavily during the fourth quarter, leaving retailers sold through and ready to reorder at the start of 1992". Operating profit was sharply lower, falling 31 per cent to HK$1.17bn, but the net profit figure was rescued by a sharp reduction in overseas tax.

Analysts expressed concern that sales of the mutant plastic action figures had peaked and Playmates had failed to come up with a "hot" replacement. The much-vaunted "Toxic Crusaders" was a big disappointment, with the grotesque figures withdrawn within a year of their launch.

The company has retained a war chest of more than HK$1.5bn to seek "opportunities in mergers, acquisitions as well as diversifications", but it has had difficulty locating suitable targets.

Playmates recommended a final dividend of 25 cents and a special cash dividend of 40 cents, making a total payout of 83 cents a share, compared with 65.5 cents in 1990 – adjusted for a bonus issue.

Mr Chan Tai Ho, chairman, described the outlook for 1992 as "excellent", with strong sales expected for product lines including a number of new lines based on television shows and films, including "The Addams Family".

Pacific Dunlop lags 22.5% at halfway

By Kevin Brown in Sydney

PACIFIC Dunlop, the diversified Australian manufacturing group, yesterday reported a 22.5 per cent cut in interim net profits to A$106m (US$79.6m) for the six months to the end of December. Turnover improved 14.5 per cent to A$2.9bn.

Mr John Gough, chairman, said the result was a "satisfactory" outcome for the "very difficult" period. The result was in line with forecasts in the annual report.

Mr Gough said demand had been flat in all the group's main markets in Australia and New Zealand, and the impact of the recession had spread from consumer products to those associated with the construction and automotive industries.

The Petersville Sleigh foods subsidiary, acquired from the Adelaide Steamship group in September, had returned a "satisfactory" profit, he declared. Sales were slightly down on the comparable four months of the previous year.

Mr Gough said demand for consumer products was improving and some signs of recovery had been evident in the automotive replacement market. However, demand for industrial products continued to be depressed.

He added that an improved performance from the group's international businesses should lead to an improvement in profits for the second half, unless the Australian economy deteriorated further.

The group was expected to report lower profits for the full year, however, because of the slower-than-expected recovery of the Australian economy.

The directors declared an unchanged interim dividend of 10.5 cents per share, but it will be franked to 55 per cent, compared with 100 per cent in the previous first half.

Mr Gough said the reduction in franking was in line with advice to shareholders in the annual report that the company's franking capacity in the current year would be abnormally low.

This was because of the slow economic recovery, the increased dividend servicing requirement resulting from an A$644m rights issue last year, and the minimal franking capacity contributed by Petersville Sleigh.

Restructuring lifts Elron Electronic

By Hugh Carnegy in Jerusalem

ELRON Electronic Industries, which groups several leading Israeli high-technology companies, announced net profits for 1991 of $20.3m, up almost threefold from $7m the previous year, due mainly to one-time gains from a restructuring of its holdings.

The sale on the New York over-the-counter market of more than 10 per cent of Elbit, its principal affiliate, was chiefly responsible for a contribution of $11.8m to total revenues of $27m made by sales of stock in group companies.

The sale reduced Elron's holding in Elbit, which makes military electronics and computer-based medical imaging equipment, to 44.3 per cent from 55 per cent.

Elron, established in the 1960s, has a record as a pioneer among Israeli private sector companies in both military and civilian high-technology products, with the vast majority of sales outside Israel. Itself quoted on Nasdaq, Elron's main companies, Elbit, Elscint, Fibronics and Optrotech are also quoted on New York markets.

Combined sales by Elron companies reached $555m in 1991 compared with $521m in 1990.

Elbit and Elscint were the best performers, while Optrotech and Fibronics, in the printed circuit board and fibre-optics markets, respectively blamed recession for lower sales and lower margins.

During 1991, Elron paid down its debt to zero. It was also due yesterday to complete a stock placement with Israeli institutions to raise more than $20m with a view to financing further expansion.

Net earnings per share in 1991 came to $1.26, against 46 cents in 1990.

SIA searches for global 'open skies' policy

Paul Betts reports on an airline concerned at the bilateral system of air agreements

SINGAPORE Airlines (SIA), one of the airline industry's big success stories of the past 10 years, competing with British Airways for the title of the world's most profitable carrier, has launched a campaign for a global "open skies" policy to replace the existing regulatory system governing the international air transport industry.

The airline is worried its long-term expansion could be undermined unless the current bilateral system of international air agreements is replaced by a more liberal, multilateral approach to regulations.

The bilateral system dating back to the 1944 Chicago Convention has become "the biggest single barrier to airline stability and profitability", Mr Cheong Choong Kong, SIA's managing director, warned at two recent aviation conferences.

The airline's campaign also coincides with a meeting in Montreal early next month of the International Civil Aviation Conference (ICAO), the air transport arm of the United Nations, to discuss changing the present bilateral system and moving gradually to a more collective, multilateral system reflecting the increasingly global nature of air transport.

"The present bilateral system is outdated," Mr Michael Tan, SIA's deputy managing director, said in an interview in Singapore. "The current system is used to protect carriers rather than stimulate growth." But he conceded that changing the system would be a long process. "What we are encouraging is that like-minded people and organisations can perhaps sign a mini agreement to act as a catalyst for future change," he said.

The issue is particularly important for SIA because the airline, lacking a domestic market base, has always had to compete internationally to grow. A dispute between the governments of Singapore and Canada over Ottawa's decision to scrap the bilateral air service agreement between the two countries and stop SIA's first transatlantic service to Toronto this summer has further highlighted the problem for the airline.

Cheong Choong Kong (left), managing director and his deputy Michael Tan

The Canadian move is a vivid example of how governments protect weaker carriers to the detriment of consumers and the wider economy, according to Mr Tan. He now hopes both North American and European Commission proposals to negotiate future air agreements as blocs will help forge a more liberal, multilateral system. But he is also worried the new North American and European blocs could become protectionist. This would probably force Asian countries to consider forming a retaliatory bloc of their own.

This would be as a last resort, added Mr Tan, who argued in favour of a system in which multilateral regulation would be intended only to ensure a "level playing field" and open market access to all airlines. With more and more airlines forging international alliances including cross-border equity investments in other carriers, the structure of international aviation is rapidly changing and becoming global making the old system of bilateral air agreements increasingly irrelevant, according to SIA.

The airline has been the first to establish what it calls a "trilateral alliance" with 5 per cent cross equity investments with Delta in the US and Swissair in Europe. Although the three carriers continue to compete, they see their alliance as a partnership to improve efficiency and productivity and generate more revenue in the world market.

SIA is also keen to acquire a minority stake in Qantas as part of the Australian carrier's privatisation. "Australia is a very important market for SIA and Singapore is very important for Qantas as a hub and operational centre," Mr Tan explained. "There is a common desire to forge a link," he added.

SIA has no desire to manage Qantas but wants a seat on the Australian carrier's board. "We are a conservative company. Taking over airlines is not our business," Mr Tan emphasised. Mr Cheong recently told his staff that SIA's relationship with Qantas had been erratic in the past. "One reason why we wish to own part of Qantas is to remove the kinks in our relationship, making it more predictable and conducive to planning," he said.

Like the rest of the airline industry, SIA has not escaped the slump caused by the Gulf conflict and the economic recession in several western markets. But it has fared better than most, with pre-tax profits 7 per cent lower at S$634.5m (US$380m) for the first half of its current financial year ending this month. "The Gulf war and the recession were blessings in disguise because they reminded us of our mortality," Mr Cheong told his staff at the beginning of this year.

Unlike many of its international competitors, SIA decided not to cancel or defer any of its outstanding aircraft orders. "We did not downsize the company; our mission is a long-term one and the airline has the strength to cope with ups and downs in between," Mr Tan said.

This confidence reflects the bullish outlook for the Asian-Pacific air travel market. "A great part of our capacity is deployed in Asia and we see the market going up 8 to 10 per cent in the next three years," Mr Tan said. SIA is developing new routes in the region and has just started flying again to Vietnam after a 17-year interruption. It is also about to start services to South Africa and to Madrid later this year.

But the airline's longer-term growth ambitions are now facing two significant obstacles. The first is the increasing congestion developing at important airports in the Asian region as well as in Europe and the US. To cope with this problem, SIA is one of the airlines actively discussing with Boeing and Airbus the possibility of developing an ultra large 600 seater aircraft by the turn of the century.

The second is the risk that instead of liberalising world air transport even further, the emerging new international trade and economic blocs will increase protectionism. Nothing could be worse for SIA.

SINGAPORE Airlines is to restructure its subsidiary Singapore Airport Terminal Services (Sats) to streamline its operations, Reuter reports from Singapore.

SIA said the restructuring, effective April 1, involves merging three Sats' subsidiaries, Sats Airport Services (SAS), Sats Apron Services (Sapron) and Sats Passenger Services (SPS).

The businesses of Sapron and SPS will be transferred to SAS from April 1. Besides its cargo operations, SAS will take over the entire operations of Sapron and SPS. Sapron and SPS will be liquidated.

Schroders Asia sued over Paladin's NZE takeover

By Simon Davies

SCHRODERS Asia, the Hong Kong merchant bank 75 per cent owned by Schroder of the UK, has become the first financial adviser in Hong Kong to face major legal proceedings for alleged negligence.

Paladin, a Hong Kong investment company, served a writ against Schroders Asia yesterday, claiming damages of HK$100.6m (US$13m) as a result of the merchant bank's role as adviser to its previous directors and independent committee on the acquisition of New Zealand Equities (NZE). The New Zealand-listed company went into receivership in February 1990, seven months after Schroders' recommendation was given.

Ms Lilian Oung, Paladin chairman, said yesterday: "Paladin's legal advisers, in consultation with both Hong Kong and leading London counsel, have stated that they were quite satisfied that Schroders Asia has been grossly negligent in discharging its duties which has caused Paladin substantial loss and damage."

A Schroders Asia source said the company was "relaxed" about the accusations and would "vigorously" defend its position.

The successful takeover of NZE led to a bitterly-contested battle for control of Paladin, eventually won by a minority shareholder group controlled by the Taiwanese Oung family.

A number of former directors of Paladin were subsequently publicly censured and Schroders has been threatened with legal action a number of times, for its part in the NZE transaction. However, the Oung family has subsequently had its own difficulties.

Paladin's former chairman, Mr James Oung, faced forgery charges in Taiwan last year, while the Hong Kong regulators blocked a HK$335m share issue by Paladin, due to concerns over the "adequacy of information" on its proposals.

Spimaco plans share offer

THE Saudi Pharmaceutical Industries and Medical Appliances Corp (Spimaco) is to double its share capital to SR600m ($160m), Reuter reports from Al-Khobar.

Mr Abdallah bin Abdel-Aziz Abdel-Kader, managing director, said that subscriptions would be invited for 2.5m new shares at a price yet to be set.

Another 500,000 shares, at a nominal value of SR100 each, would be offered as a bonus to existing shareholders on the basis of one-for-six.

● The public offer by Arab-Malaysian Finance (AMFB) for 10.7m M$1 shares at M$3 per share has been oversubscribed 9.25 times, Reuter reports from Kuala Lumpur.

A total of 90,142 applications for 109.67m shares were received, the issuing house MIDF Consultancy and Corporate Services said.

Besides the public portion, AMFB alloted 38.5m shares for sale to existing shareholders and 3.3m shares to its employees and workers of Arab-Malaysian Merchant Bank.

Nippon Mortgage debt plan

SUMITOMO Trust & Banking, a leading Japanese trust bank, will assist in the restructuring of debt-laden Japanese non-bank financial institution Nippon Mortgage, starting on April 1, Reuter reports from Tokyo.

Nippon Mortgage has debts of about Y630bn ($4.85bn) and is behind in interest payments on about 40 per cent of those, Sumitomo Trust said. The plan involves Nippon Mortgage paying back Y200bn to its creditors by selling Y430bn of assets, mainly in property and securities.

It will also ask its creditors to delay loan repayment and reduce interest.

There are 69 financial institutions which have extended loans to Nippon Mortgage. Sumitomo Trust, Nippon Mortgage's main creditor, now extends it loans worth Y110bn.

The restructuring also calls for Sumitomo Trust to extend all necessary funds to Nippon Mortgage from April 1. The trust bank expects to lend about Y28bn in 1991-92.

Sumitomo Trust will also send seven officials to Nippon Mortgage, of whom three will become directors after an extraordinary shareholders' meeting this month. Mr Hidemori Idenoshita, one of three former Sumitomo Trust officials already working at Nippon Mortgage, was appointed president on March 10.

Nippon Mortgage mainly extends housing loans and loans guaranteed by real estate, but has no overseas operations.

Japanese non-banks are financial institutions which offer loans but do not accept deposits. They rely on banks for over 80 per cent of their funds to finance their own lending, analysts said.

Some Japanese non-bank financial institutions are facing a rough road after adventurous lending in the 1980s left them saddled with bad property loans and real estate firm bankruptcies.

INTERNATIONAL COMPANIES AND FINANCE

Vote starts to change Equitable Life status

By Nikki Tait in New York

THE formidable task of "demutualising" the Equitable Life Assurance Society, the large US insurer, has got under way with the mailing of 2.2m ballots to eligible policyholders.

Two-thirds of policyholders voting must be in favour for the "demutualisation" plan – that is, a scheme which will turn the company from one belonging to policyholders to one owned by shareholders – to go ahead. The vote is scheduled for May 6.

A hearing by the New York Insurance Department has also been arranged for April 21; approval by the New York Superintendent of Insurance is a further pre-condition to the move.

The Equitable has been struggling financially following over-aggressive expansion in the 1980s and heavy exposure to junk bonds and property-related investments.

Last year, Axa, the French insurance company, provided a much-needed $1bn capital infusion which will convert into an equity stake of between 40 and 49 per cent when demutualisation occurs.

The demutualisation scheme will allocate ordinary shares among Equitable's policyholders, and is being combined with an initial public offering, which will involve selling shares to outside investors.

The offering must raise at least $300m. Part of this money will go towards providing alternative cash payments or policy benefits to policyholders receiving a small number of shares under the demutualisation scheme; up to $220m may be used to pay operating expenses and dividends; the rest will be added to Equitable's capital.

In the demutualisation documents, Equitable revealed that individual insurance and annuity policy surrenders and withdrawals increased by 53 per cent to $1.88bn in the first nine months of 1991 over the comparable 1990 figure.

It also says that equity real estate and below investment grade debt and equity interests comprised 12.6 per cent and 14.2 per cent respectively of the $41.3bn general account and GIC segment investment portfolio.

Nike posts strong advance

NIKE, the US sport shoes group, yesterday reported strong international sales growth and an advance in profits for the third quarter, Reuter reports.

The company said worldwide orders for its athletic footwear and apparel scheduled for delivery between March and July 1992 was about $1.4bn, up 15 per cent over the same period a year earlier.

In the third quarter, the group lifted net earnings to $82.5m from $70.7m the previous year which took earnings per share for the period to $1.08, against 93 cents. Revenues advanced to $867m from $802.2m.

Nike said it expected to achieve higher earnings in its fourth fiscal quarter ending May 31. In the same period of 1991, the group earned 76 cents a share, down from 89 cents.

Mr Philip Knight, chairman, said the company's strong international growth was highlighted in Germany, where it posted a 59 per cent rise in sales and moved it to the number two sales spot in that country for the first time, ahead of Puma, and gaining ground on its rival, Adidas.

Eaton faces a challenging drive

By Kevin Done, Motor Industry Correspondent

LAST Friday, Mr Robert Eaton was extolling the long-term nature of General Motors' commitment to Hungary as he drove the first Hungarian-built car of modern times off the assembly line at GM's new car assembly plant in western Hungary.

After 29 years, his own commitment to GM had only hours left to run, however.

Having taken his leave of Mr Jozsef Antall, the Hungarian prime minister, Mr Eaton rapidly changed aircraft, changed scenes and changed companies.

By yesterday he was in Detroit to be presented to the world as the chairman-elect of Chrysler, the smallest of the big three US car makers.

The Chrysler board's choice of Mr Eaton was "a sensational decision," said Mr Lee Iacocca, chairman since 1979 and not a man to shrink from hyperbole.

"Bob Eaton has impeccable credentials and an incredibly successful track record at General Motors."

But Mr Eaton, who becomes vice-chairman and chief operating officer of Chrysler with immediate effect and chairman and chief executive officer from the end of the year, has seldom taken a greater risk.

As president of GM Europe, Mr Eaton, 52, led probably the most profitable volume car maker in Europe last year. He is giving that up in favour of taking sole charge of a corporation which last year suffered a net loss of $795m on a turnover of $29.4bn, and whose senior management is nursing several badly-bruised egos after being overlooked in the hunt for a new chairman.

Mr Eaton had the good fortune to take over as president of GM Europe when the operation was riding a wave of unprecedented financial success.

For years GM had been the poor relation of Ford in Europe, racking up heavy losses. The corner was turned in 1987, however, when GM Europe jumped to a net profit of $1.3bn from a net loss of $343m a year earlier.

Mr Eaton's success has been to keep GM Europe on course, and the figures have clearly not been lost on Chrysler. He became GM Europe president in mid-1988 and in the three years 1989-91, under his sole charge, the operations accumulated a total net profit of $5.5bn.

To a Detroit awash in red ink, such a performance excuses Mr Iacocca's hyperbole, particularly when it has been achieved in four years when Ford of Europe has collapsed from record profits to record losses.

Mr Eaton came to Europe as one of GM's most accomplished engineers and since 1982 had been vice-president of the Advanced Engineering Staff.

Throughout the 1970s he was in the forefront of GM's efforts to "down-scale" its products in response to successive oil crises, and for a period he was chief engineer for GM's small family car project at the Chevrolet Engineering Centre.

In Europe, his broader management skills blossomed. He led one of the best-motivated senior management teams in the European car industry from GM's tightly-run headquarters in Zurich, and in the past three years has proved himself to be a formidable deal-maker.

Caught napping by Ford in 1989 in the battle to take control of Jaguar, the UK luxury car maker, Mr Eaton turned the tables only months later by stealing Saab, the Swedish executive car maker, from under the noses of Fiat of Italy.

It was also fitting that Eaton's last act for GM was to drive the first Opel Astra off the new assembly line in Hungary last Friday. He has been the architect of GM's ambitious expansion in eastern Europe with important projects in eastern Germany and Poland as well as in Hungary.

He has led GM Europe's efforts to increase its capacity by 25 per cent by the mid-1990s, and has kept the company's vital new product programme on track, most recently with the launch of the new generation Opel/Vauxhall Astra.

In Europe, he has undeniably enjoyed a following wind, but at Chrysler he will have to prove that he can hold the helm through much stormier conditions.

Investcorp leads $450m bid for Circle K

By Karen Zagor in New York

INVESTCORP, the international bank formed in 1982 as a conduit for Arab money into western industry, is leading a group of investors in a $450m bid to acquire Circle K, the second biggest US convenience store chain. The chain has been operating under bankruptcy protection since 1990.

Investcorp has invested in several other US retail ventures including Saks Fifth Avenue and Tiffany's.

Under the terms of a reorganisation plan, filed by Circle K in the US bankruptcy court on Friday, Investcorp and its associated investors have agreed to pay $425m in cash, and an additional $30m after the deal has been closed.

Some liabilities would also be assumed by the investors, including Spain's Corporacion CNL and the US property developers RAK Development.

All Circle K's common and preferred stock would be cancelled and new shares of common stock would be issued by the purchaser.

Under the plan, the net acquisition proceeds will be shared among the remaining creditors based on the priority of their claims.

Mr Bart Brown, Circle K chairman, said the plan had two primary advantages. "First, it would provide our creditor groups with substantial value, in cash; and second, it would enable the company to continue as a vigorous competitor in the convenience store industry."

Circle K ran into trouble in the 1980s after it took on $1.1bn of debt during a six-year expansion programme aimed at quadrupling its store base to more than 4,600. The company was also hit by strong competition from petrol companies which installed convenience stores at their outlets.

In December, Circle K put forward a business plan which included cutting its store base to 2,200 from 3,776 and withdrawing from 14 of the 32 states where it has operations.

Mr John Antioco, the company's recently-appointed president, said: "We are continuing to take new steps to streamline operations, revamp and remodel facilities and remake Circle K into a leaner, more efficient, more profitable company with excellent prospects and enhanced opportunities for employees in the future."

The reorganisation plan is subject to acceptance by creditors and equity holders, confirmation under the bankruptcy code and consummation of the stock purchase agreement.

Eastman Kodak sees 'difficult' first quarter

EASTMAN Kodak, the US photographics group, said it did not expect a rebound in business during the first quarter of this year, Reuter reports from New York.

In the annual report, Mr Kay Whitmore, company chairman, said the first quarter "will be a difficult one for the company".

He said any improvement in the US economy and in Europe would not be perceptible until the second half of 1992.

The company said sales in its imaging division during January and February were slightly lower than in the comparable period a year ago. Sales in the information division were down on last year while those in chemicals were level with those posted in the early months of last year.

In the health division, good sales gains had been recorded, the company said.

For the year as a whole, Kodak said it saw "moderately higher sales and good gains" in earnings.

Mr Whitmore said that recovery in the company results would be more gradual than abrupt.

"Beyond this year, recovery in our business results should be more pronounced," he said, with rates of return "superior to those of our peers".

Kodak recently announced a new group of improved Kodak Gold Plus colour negative film for consumers, and plans to launch a new Photo CD system this summer.

Tenneco creates position of chief operating officer

By Our New York Staff

TENNECO, the US conglomerate in the throes of a restructuring, yesterday named Mr Dana Mead, 56, as chief operating officer, a new position at the company.

Mr Mead, formerly executive vice-president and director of International Paper, will have primary responsibility for Tenneco's operating divisions.

He will be named president in addition to chief operating officer in May, when Mr Michael Walsh, the group's recently-appointed chief executive, becomes Tenneco's chairman.

Mr Walsh said Mr Mead "will play an important role in moving Tenneco towards our goal of consistent profitability and growth".

In addition to his 14 years at International Paper, Mr Mead was a professor of social sciences at West Point, the US military academy, from 1974 to 1978. From 1972 to 1974 he was deputy director of domestic council in Mr Richard Nixon's administration.

Mr Mead's appointment is part of a programme of change at the company since Mr Walsh took the helm last autumn.

There is considerable pressure on Mr Walsh to turn round Tenneco's lacklustre performance of the past few years – including severe losses at its J.I. Case agricultural and construction equipment business.

Hachette and Rizzoli to end collaboration deal

By Alice Rawsthorn in Paris

TWO of the most powerful players in European publishing, Hachette of France and Rizzoli of Italy, are to end their five-year-old collaborative agreement.

Hachette, which owns the worldwide rights to Elle magazine and was recently hit by the collapse of La Cinq, the French television station that it controlled, announced several months ago it was considering ending its involvement with Rizzoli.

The Italian group, which publishes Corriere della Sera, one of Italy's leading newspapers, has decided to end the involvement, too. This will involve a share swap – Hachette owns 8.1 per cent of Rizzoli which, in turn, holds 9.2 per cent of the French company's press subsidiary – and some form of cash payment to Hachette.

The move comes as Hachette, still scarred by the La Cinq debacle, is embroiled in an elaborate plan to merge with Matra, the French electronics and transport group, also owned and managed by the Lagardère family. Both companies are chaired by Mr Jean-Luc Lagardère who announced the proposed merger earlier this year.

Hachette and Rizzoli may also review their joint holdings in several other titles.

INTERNATIONAL CAPITAL MARKETS

Gilts lifted by failure of Labour to advance in polls

By Sara Webb in London and Karen Zagor in New York

UK GOVERNMENT bond prices ended yesterday slightly higher than at their Friday close, helped by weaker-than-expected showings for the opposition Labour party in weekend opinion polls.

The Liffe gilt futures contract, which closed at 94.19 on Friday, opened at 94.29 after opinion polls at the weekend failed to show a large Labour lead in the UK general election campaign. The market had fallen back on Friday on expectations that Labour would show a six-point lead in the weekend polls.

The Liffe gilt futures contract fell to a low of 94.10 before picking up again to trade at 94.25 by late afternoon on a volume of about 22,500. Traders said gilts slipped back after the Labour party announced its alternative budget proposals, but the US Treasury bond market helped to lift gilt prices as it picked up slightly later in the day.

The benchmark 11¾ per cent gilt due 2003/07 opened at 112⅝ and slipped back to trade at 112⅞ by late afternoon to yield 9.82 per cent.

■ US TREASURIES marked time yesterday in thin, range-bound trading as the market waited for a slew of economic statistics for February slated for release today.

The Treasury's bellwether 30-year bond was quoted ⅛ lower at 99⅞, yielding 8.07 per cent after posting slim gains in morning trading. Shorter-dated maturities were unchanged to narrowly higher, with the three-year note unchanged on the day to yield 5.84 per cent.

The Federal Reserve added reserves to the banking system by arranging three-day system repurchase agreements. Fed funds – the rate at which banks lend to each other – were trading at 4¼ per cent when the Fed entered the market. The Fed's operation was widely expected. The perceived target for Fed Funds is 4 per cent.

Although the long bond received some attention in Tokyo as investors turned their sights to bonds amid a falling stock market, there was little to move the US Treasury market yesterday.

For the most part, participants were waiting for today's release of the February consumer price index, housing starts and industrial production figures.

■ GERMAN government bonds drifted lower in dull trade as many dealers and investors continue to wait for further developments on the wage front. The bund futures contract was trading at around 87.97 by late afternoon, compared with 88.04 on Friday afternoon.

The Bundesbank announced yesterday that it was inviting banks to tender for an issue of medium-term Treasury notes on March 24. The notes are being launched for the Unity Fund, which was set up after the reunification of Germany.

■ THE fall in the Nikkei stock index yesterday to below the psychologically important 20,000 level – its lowest level in five years – helped to push up Japanese government bonds, although bond prices ended either unchanged or only slightly firmer after profit-taking.

The yield on the benchmark No 129 issue, which opened at 5.435 per cent, traded in a range of 5.405 per cent to 5.44 per cent and ended the day at 5.425 per cent.

The futures contract rose from its opening of 102.31 to a high of 102.51 before closing at 102.34.

Traders said the Bank of Japan remained neutral in its money market operations, giving no indication of an easing in interest rates. However, the market is hoping the Bank of Japan will soon cut the official discount rate.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	98.6803	-1.083	10.21	10.07	10.16
BELGIUM		9.000	06/01	101.4000	-0.250	8.76	8.69	8.71
CANADA *		8.500	04/02	98.1900	-0.40	9.14	8.60	8.47
DENMARK		9.000	11/00	101.5500	-0.250	8.72	8.59	8.58
FRANCE	BTAN	8.500	03/97	98.4154	-0.348	8.90	8.75	8.78
	OAT	8.500	11/02	99.2400	-0.130	8.60	8.49	8.50
GERMANY		8.000	01/02	100.3200	-0.020	7.94	7.88	7.92
ITALY		12.000	02/02	99.1300	-0.010	12.15†	12.13	12.31
JAPAN	No 119	4.800	06/99	95.3759	-0.504	5.70	5.73	5.79
	No 129	6.400	03/00	105.4458	0.028	5.42	5.43	5.45
NETHERLANDS		8.250	02/02	99.7100	-0.050	8.28	8.21	8.32
SPAIN		11.300	01/02	102.4200	-0.280	10.86	10.87	10.83
UK GILTS		10.000	11/96	100-06	+0/32	9.94	9.61	9.48
		9.750	08/02	99.0000	+3/32	9.76	9.50	9.36
		9.000	10/08	95-29	+2/32	9.54	9.29	9.17
US TREASURY *		7.500	11/01	98-23	+3/32	7.69	7.46	7.43
		8.000	11/21	99-06	+0/32	8.07	7.93	7.93

London closing. *New York closing. Yields: Local market standard
† Gross (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

Mexico sets up Euro paper programme

By Sara Webb

MEXICO has set up a $500m Euro commercial paper (ECP) programme, the first ECP programme to be established by a Latin American sovereign borrower.

The ECP programme will allow Mexico to borrow in a broad range of OECD currencies with a maturity range of between 30 days and a year.

Citicorp Investment Bank, which is the arranger and dealer for the programme, said Mexico would use the programme to establish its short-term debt profile in the hope of attracting international investment, for example, from money market funds.

Mexico has built up a variety of international bonds ranging in maturity from one year to 10 years, including 30-year Brady bonds. So far, Mexico has not offered investors short-dated paper.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 16

U.S. DOLLAR STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / SWISS FRANC STRAIGHTS / CONVERTIBLE BONDS / YEN STRAIGHTS

	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, March 16, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	57.8548	34.7331	43.1991
Albania	(Lek)	85.66	49.9329	29.9772	37.284
Algeria	(Dinar)	38.17	22.25	13.3578	16.6137
Andorra	(Fr Fr)	9.7050	5.6572	3.3963	4.2241
	(Sp Peseta)	180.70	105.334	63.237	78.6507
Angola	(Kwanza)	317.085	184.835	110.966	138.013
Antigua	(E Carr $)	4.6256	2.6963	1.6187	2.0133
Argentina	(Peso)	1.7005	0.9912	0.5951	0.7401
Aruba	(Florin)	3.0666	1.7875	1.0731	1.3347
Australia	(Aus $)	2.2700	1.3232	0.7944	0.988
Austria	(Schilling)	20.115	11.7254	7.0393	8.7561
Azores	(Port Escudo)	246.40	143.632	86.2292	107.247
Bahamas	(Bahama $)	1.7155	1	0.6003	0.7466
Bahrain	(Dinar)	0.6443	0.3755	0.2254	0.2804
Balearic Is	(Sp Peseta)	180.70	105.334	63.237	78.6507
Bangladesh	(Taka)	64.00	37.3069	22.3972	27.8563
Barbados	(Barb $)	3.4458	2.0086	1.2058	1.4998
Belgium	(Belg Fr)	58.90	34.334	20.6124	25.6365
Belize	(B $)	3.4264	1.9973	1.199	1.4913
Benin	(CFA Fr)	485.25	282.862	169.816	211.208
Bermuda	(Bermudian $)	1.7155	1	0.6003	0.7466
Bhutan	(Ngultrum)	48.40	28.2133	16.9378	21.0663
Bolivia	(Boliviano)	6.4845	3.7799	2.2692	2.8224
Botswana	(Pula)	3.7305	2.1745	1.3055	1.6237
Brazil	(Cruzeiro)	3036.32	1769.93	1062.58	1321.58
Brunei	(Brunei $)	2.8545	1.6639	0.9989	1.2424
Bulgaria	(Lev)	32.24	18.7933	11.2825	14.0326
Burkino Faso	(CFA Fr)	485.25	282.862	169.816	211.208
Burma	(Kyat)	10.7573	6.2706	3.7645	4.6821
Burundi	(Burundi Fr)	347.50	202.565	121.61	151.251
Cambodia	(Riel)	1284.90	748.994	449.659	559.26
Cameroon	(CFA Fr)	485.25	282.862	169.816	211.208
Canada	(Canadian $)	2.0580	1.1996	0.7202	0.8957
Canary Is	(Sp Peseta)	180.70	105.334	63.237	78.6507
Cp. Verde	(CV Escudo)	119.915	69.9009	41.965	52.1936
Cayman Is	(CI $)	1.4220	0.8289	0.4976	0.6189
Cent.Afr. Rep	(CFA Fr)	485.25	282.862	169.816	211.208
Chad	(CFA Fr)	485.25	282.862	169.816	211.208
Chile	(Chilean Peso)	597.50	348.295	209.099	260.065
China	(Renminbi Yuan)	9.4416	5.5037	3.3041	4.1095
Colombia	(Col Peso)	1067.70	622.384	373.648	464.723
Comoros	(CFA Fr)	485.25	282.862	169.816	211.208
Congo (Brazz)	(CFA Fr)	485.25	282.862	169.816	211.208
Costa Rica	(Colon)	233.32	136.007	81.6517	101.554
Côte d'Ivoire	(CFA Fr)	485.25	282.862	169.816	211.208
Cuba	(Cuban Peso)	1.2976	0.7563	0.4541	0.5647
Cyprus	(Cyprus £)	0.80	0.4663	0.2799	0.3482
Czechoslovakia	(Koruna)	50.02c	29.1576	17.5048	21.7714
		48.19t	28.0909	16.8643	20.9749
Denmark	(Danish Kroner)	11.0875	6.4631	3.8801	4.8258
Djibouti Rep	(Djib Fr)	300.00	174.876	104.987	130.577
Dominica	(E Carrib $)	4.6256	2.6963	1.6187	2.0133
Dominican Rep	(D Peso)	21.7919	12.7029	7.6262	9.485
Ecuador	(Sucre)	2237.32o	1304.18	782.964	973.806
		2291.41a	1335.71	801.893	997.349
Egypt	(Egyptian £)	5.6800	3.3109	1.9877	2.4722
El Salvador	(Colon)	13.7372	8.0076	4.8074	5.9791
Equat'l Guinea	(CFA Fr)	485.25	282.862	169.816	211.208
Ethiopia	(Ethiopian Birr)	3.5126	2.0475	1.2292	1.5288
Falkland Is	(Falk £)	1.00	0.5829	0.3499	0.4352
Faroe Is	(Danish Kroner)	11.0875	6.4631	3.8801	4.8258
Fiji Is	(Fiji $)	2.5860	1.5074	0.9049	1.1255
Finland	(Markka)	7.7972	4.5451	2.7286	3.3937
France	(Fr)	9.7050	5.6572	3.3963	4.2241
Fr. Cty/Africa	(CFA Fr)	485.25	282.862	169.816	211.208
Fr. Guiana	(Local Fr)	9.705	5.6572	3.3963	4.2241
Fr. Pacific Is	(CFP Fr)	175.00	102.011	61.2423	76.1697
Gabon	(CFA Fr)	485.25	282.862	169.816	211.208
Gambia	(Dalasi)	15.1790	8.8481	5.3119	6.6067
Germany	(D-Mark)	2.8575	1.6656	1	1.2437
Ghana	(Cedi)	682.0515	397.582	238.688	296.867
Gibraltar	(Gib £)	1.00	0.5829	0.3499	0.4352
Greece	(Drachma)	329.425	192.029	115.284	143.384
Greenland	(Danish Krone)	11.0875	6.4631	3.8801	4.8258
Grenada	(E Carr $)	4.6256	2.6963	1.6187	2.0133
Guadaloupe	(Local Fr)	9.7050	5.6572	3.3963	4.2241
Guam	(US $)	1.7155	1	0.6003	0.7466
Guatemala	(Quetzal)	8.6963	5.0692	3.0433	3.7851
Guinea	(Fr)	1391.62	811.204	487.006	605.711
Guinea-Bissau	(Peso)	8566.00	4993.3	2997.73	3728.4
Guyana	(Guyanese $)	207.74	121.096	72.6999	90.42
Haiti	(Goude)	8.566	5	2.9977	3.7284
Honduras	(Lempira)	9.3393	5.444	3.2683	4.0649
Hong Kong	(HK $)	13.2795	7.7408	4.6472	5.7799
Hungary	(Forint)	135.46	78.9624	47.405	58.9597
Iceland	(Icelandic Krona)	102.47	59.7318	35.86	44.6006
India	(Indian Rupee)	48.40	28.2133	16.9378	21.0663
Indonesia	(Rupiah)	3447.25	2009.47	1206.39	1500.44
Iran	(Rial)	2445.0v	1425.24	855.643	1064.2
		114.20o	66.5695	39.965	49.7062
Iraq	(Iraqi Dinar)	0.5936	0.346	0.2077	0.2583
Irish Rep	(Punt)	1.0730	0.6254	0.3755	0.467
Israel	(Shekel)	4.1050	2.3928	1.4365	1.7867
Italy	(Lira)	2149.00	1252.7	752.056	935.365
Jamaica	(Jamaican $)	35.9125	20.9341	12.5678	15.6311
Japan	(Yen)	229.75	133.926	80.4024	100
Jordan	(Jordanian Dinar)	1.1638	0.6784	0.4072	0.5065
Kenya	(Kenya Shilling)	51.2932	29.8998	17.9503	22.3256
Kiribati	(Australian $)	2.2700	1.3232	0.7944	0.988
Korea North	(Won)	1.6618	0.9686	0.5815	0.7233
Korea South	(Won)	1314.42	766.202	459.99	572.109
Kuwait	(Kuwaiti Dinar)	0.50825	0.2962	0.1778	0.2211
Laos	(New Kip)	1207.81	704.057	422.681	525.706
Lebanon	(Lebanese £)	1962.00	1143.69	686.614	853.972
Lesotho	(Maluti)	4.9507	2.8858	1.7325	2.1548
Liberia	(Liberian $)	1.7155	1	0.6003	0.7466
Libya	(Libyan Dinar)	0.4865	0.2835	0.1702	0.2117
Liechenstein	(Swiss Fr)	2.5925	1.5112	0.9072	1.1284
Luxembourg	(Lux Fr)	59.00	34.3923	20.6474	25.68
Macao	(Pataca)	13.7075	7.9903	4.797	5.9662
Madagascar	(MG Fr)	3093.25	1803.12	1082.5	1346.35
Madeira	(Port Escudo)	246.40	143.632	86.2292	107.247
Malawi	(Kwacha)	4.7995	2.7977	1.6796	2.089
Malaysia	(Ringgit)	4.4175	2.575	1.5459	1.9227
Maldive Is	(Rufiya)	18.1359	10.5717	6.3467	7.8937
Mali Rep	(CFA Fr)	485.25	282.862	169.816	211.208
Malta	(Maltese £)	0.5585	0.3255	0.1954	0.243
Martinique	(Local Fr)	9.7050	5.6572	3.3963	4.2241
Mauritania	(Ouguiya)	139.54	81.3407	48.8328	60.7355
Mauritius	(Maur Rupee)	27.15	15.8262	9.5013	11.8171
Mexico	(Mexican Peso)	5189.02	3024.79	1815.93	2258.55
Miquelon	(Local Fr)	9.7050	5.6572	3.3963	4.2241
Monaco	(French Fr)	9.7050	5.6572	3.3963	4.2241
Mongolia	(Tugrik)	68.528	39.9463	23.9818	29.8272
Montserrat	(E Carr $)	4.6256	2.6963	1.6187	2.0133
Morocco	(Dirham)	14.2700	8.3182	4.9938	6.211
Mozambique	(Metical)	3382.68	1971.83	1183.79	1472.33
Namibia	(S A Rand)	4.9507	2.8858	1.7325	2.1548
Nauru Is	(Australian $)	2.2700	1.3232	0.7944	0.988
Nepal	(Nepalese Rupee)	79.8865	46.5674	27.9567	34.771
Netherlands	(Guilder)	3.2175	1.8755	1.1259	1.4004
N'nd Antilles	(A/Guilder)	3.0666	1.7875	1.0731	1.3347
New Zealand	(NZ $)	3.1435	1.8324	1.1	1.3682
Nicaragua	(Gold Cordoba)	8.566	4.9932	2.9977	3.7284
Niger Rep	(CFA Fr)	485.25	282.862	169.816	211.208
Nigeria	(Naira)	25.698v	14.9798	8.9931	11.1852
Norway	(Nor. Krone)	11.2250	6.5432	3.9282	4.8857
Oman	(Rial Omani)	0.6580	0.3835	0.2302	0.2863
Pakistan	(Pak Rupee)	42.00	24.4826	14.6981	18.2807
Panama	(Balboa)	1.7155	1	0.6003	0.7466
Papua New Guinea	(Kina)	1.6520	0.9629	0.5781	0.719
Paraguay	(Guarani)	2429.02	1415.93	850.051	1057.24
Peru	(New Sol)	1.63	0.9501	0.5704	0.7094
Philippines	(Peso)	42.00	24.4826	14.6981	18.2807
Pitcairn Is	(£ Sterling)	1.00	0.5829	0.3499	0.4352
	(NZ $)	3.1435	1.8324	1.1	1.3682
Poland	(Zloty)	23074.00	13450.3	8074.89	10043.1
Portugal	(Escudo)	246.40	143.632	86.2292	107.247
Puerto Rico	(US $)	1.7155	1	0.6003	0.7466
Qatar	(Riyal)	6.2208	3.6262	2.177	2.7076
Reunion Is de la	(F/Fr)	9.7050	5.6572	3.3963	4.2241
Romania	(Leu)	339.30q	197.785	118.74	147.682
Rwanda	(Fr)	215.46	125.596	75.4015	93.7801
St Christopher	(E Carr $)	4.6256	2.6963	1.6187	2.0133
St Helena	(£)	1.00	0.5829	0.3499	0.4352
St Lucia	(E Carr $)	4.6256	2.6963	1.6187	2.0133
St Pierre	(French Fr)	9.7050	5.6572	3.3963	4.2241
St Vincent	(E Carr $)	4.6256	2.6963	1.6187	2.0133
San Marino	(Italian Lira)	2149.00	1252.7	752.056	935.365
Sao Tome	(Dobra)	411.168	239.678	143.891	178.963
Saudi Arabia	(Riyal)	6.4090	3.7359	2.2428	2.7895
Senegal	(CFA Fr)	485.25	282.862	169.816	211.208
Seychelles	(Rupee)	8.90	5.1879	3.1146	3.8737
Sierra Leone	(Leone)	743.80	433.576	260.297	323.743
Singapore	($)	2.8545	1.6639	0.9989	1.2424
Solomon Is	($)	4.9840	2.9052	1.7441	2.1693
Somali Rep	(Shilling)	4488.58	2616.48	1570.81	1953.68
South Africa	(Rand)	4.9507c	2.8858	1.7325	2.1548
		6.8005g	3.9641	2.3798	2.9599
Spain	(Peseta)	180.70	105.334	63.237	78.6507
Spanish Ports in N Africa	(Sp Peseta)	180.70	105.334	63.237	78.6507
Sri Lanka	(Rupee)	73.00	42.5531	25.5468	31.7736
Sudan Rep	(£)	154.188c	89.8793	53.959	67.1112
Surinam	(Guilder)	3.0581	1.7826	1.0702	1.331
Swaziland	(Lilangeni)	4.9507	2.8858	1.7325	2.1548
Sweden	(Krona)	10.3700	6.0448	3.629	4.5136
Switzerland	(Fr)	2.5925	1.5112	0.9072	1.1284
Syria	(£)	34.6923	20.2228	12.1407	15.1
Taiwan	($)	43.025	25.0801	15.0568	18.7268
Tanzania	(Shilling)	419.3057	244.422	146.739	182.505
Thailand	(Baht)	43.20	25.1821	15.1181	18.803
Togo Rep	(CFA Fr)	485.25	282.862	169.816	211.208
Tonga Is	(Pa Anga)	2.2700	1.3232	0.7944	0.988
Trinidad/Tobago	($)	7.2811	4.2443	2.548	3.1691
Tunisia	(Dinar)	1.5994	0.9323	0.5597	0.6961
Turkey	(Lira)	10425.56	6077.27	3648.49	4537.78
Turks & Caicos	(US $)	1.7155	1	0.6003	0.7466
Tuvalu	(Australian $)	2.2700	1.3232	0.7944	0.988
Uganda	(New Shilling)	1712.26	998.111	599.216	745.271
U A E	(Dirham)	6.2765	3.6587	2.1965	2.7318
United Kingdom	(£)	1.00	0.5829	0.3499	0.4352
United States	(US $)	1.7155	1	0.6003	0.7466
Uruguay	(Peso)	4606.37	2685.15	1612.03	2004.95
USSR	(Rouble)	1.0034o	0.5849	0.3511	0.4367
		155.01m	90.3584	54.2467	67.4689
Vanuatu	(Vatu)	190.50	111.046	66.6666	82.9162
Vatican	(Lira)	2149.00	1252.7	752.056	935.365
Venezuela	(Bolivar)	103.7828	60.4971	36.3194	45.172
Vietnam	(Dong)	19616.14	11434.6	6864.79	8538.04
Virgin Is-British	(US $)	1.7155	1	0.6003	0.7466
Virgin Is-US	(US $)	1.7155	1	0.6003	0.7466
Western Samoa	(Tala)	4.1382	2.4122	1.4481	1.8011
Yemen (Rep of)	(Rial)	22.1859	12.9326	7.764	9.6565
Yemen (Rep of)	(Dinar)	0.7966	0.4643	0.2787	0.3467
Yugoslavia	(Dinar)	243.8877	142.167	85.35	106.154
Zaire Rep	(Zaire)	196066.00	114291	68614.5	85338.8
Zambia	(Kwacha)	217.75	126.931	76.2029	94.7769
Zimbabwe	($)	8.7459	5.0981	3.0606	3.8067

Special Drawing Rights March 13, 1992 United Kingdom £0.795585 United States $1.36220 Germany D Mark 2.27378 Japan Yen183.080
European Currency Unit Rates March 16, 1992 United Kingdom £0.714865 United States $1.22528 Germany D Mark 2.04254 Japan Yen164.310

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, March 16, 1992.

INTERNATIONAL CAPITAL MARKETS

Telebras offering heralds batch of Brazilian deals

By Tracy Corrigan

TELEBRAS, the Brazilian telecommunications company, yesterday launched a $90m deal which heralds a further batch of offerings by Brazilian issuers.

Brazil returned to the international capital markets last year as the perception of its debt improved on expectations that a Brady plan for the rescheduling of its foreign debt was close to agreement. When no agreement was reached, prices on Brazil's commercial debt fell sharply, but demand for fresh bond issues does not appear to have weakened.

The five-year Telebras deal, arranged by Salomon Brothers, has a put option after three years, priced to yield 450 basis points over the three-year US Treasury. The deal included a 144a option for distribution in the US private placement market, but dealers said demand for this small deal was concentrated in Europe.

Telebras is also planning to issue equity later in the year. Merrill Lynch has won the mandate to act as global co-ordinator of Telebras' offering of ADRs, expected to raise between $600m to $1.2bn. The ADRs will be listed and registered in New York, but placement is expected to be split between the US and the international market.

Meanwhile, a number of other Brazilian bond offerings are in the pipeline: Companhia Vale do Rio Doce (CVRD), the Brazilian iron ore company, is preparing to launch its second offering in the international capital markets. The $150m Eurobond, with a 144a option for placement in the US market, is expected to have a maturity of three years. CVRD returned to the international markets last year with a $200m deal maturing in 1994 with a put option in 1993, which has performed well. The spread between the yield to put and the comparable US Treasury has tightened to 234 basis points, compared with a 300 basis point yield spread to maturity.

The new deal, arranged by Chase Investment Bank, is expected to emerge next month, with a tighter spread than yesterday's Telebras deal.

Banco do Brasil, Brazil's state-run bank, is preparing a $150m three-year Eurobond. Credit Suisse First Boston is believed to have won the mandate for that deal.

Eurodollar yields hit by sell-off

By Tracy Corrigan

SOME Eurodollar bond yields have tightened in relation to US Treasury yields following the sell-off in the Treasury market on Friday which pushed the long-bond yield above the 8 per cent support level.

Dealers said that Eurobonds with current coupons – that is bonds with coupons which accurately reflect current yield levels and therefore trade around their par value – have outperformed the market, tightening by three or four basis points.

Spreads on recent new issues which are still unplaced had already widened, but the unsold paper still shows little sign of attracting any investor interest.

In the dollar sector yesterday, Toyota Motor Finance launched a $200m three-year

INTERNATIONAL BONDS

deal via Crédit Suisse First Boston.

The deal was considered reasonably priced at 35 basis points above the comparable Treasury yield, and dealers said that the short end of the market is attracting what investor demand exists.

Some money managers are extending to short-dated bonds, where they perceive value in the wake of the sell-off, according to some traders.

Toyota's outstanding 6½ per cent bonds due November 1994 are currently trading at just 8 basis points above the curve, because those bonds are tightly held by investors.

The deal was bid at 99⅞, around the level of its fixed price re-offer.

A FFr1bn 10-year offering for Aérospatiale, the French aerospace company, suffered from an aggressive pricing in unfavourable market conditions. *Political uncertainty surrounding the local elections, scheduled for next weekend, is exerting a negative pull on French bond prices.*

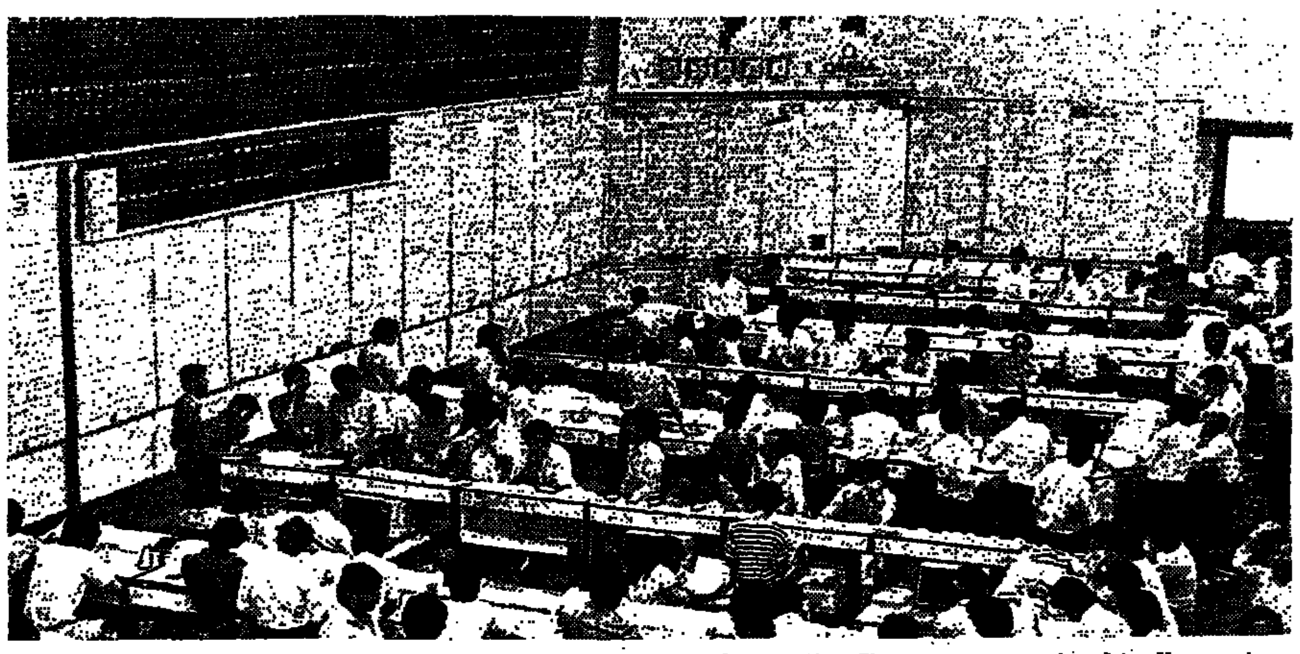
The Aérospatiale deal, priced at 52 basis points above the interpolated yield curve, widened by several basis points, as the trading level fell to 99.65 from 99.90.

Dealers said that a two-year bond issue for Aérospatiale launched last month had widened from a launch spread of 35 basis points above the comparable BTAN to a current spread of 44 basis points.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyota Motor Fin.Neths.(a)†	200m	6¾	101.0725	1995	1⅜/1⅛	Crdt.Suisse First Boston
Telebras.(b)†	90	10	98.165	1997	1⅛/⅝	Salomon Brothers Intl.
YEN						
Mitsui Fudosan Co.(c)‡†	30bn	(c)	100	1997	30bp	Nikko Europe
FRENCH FRANCS						
Ste Nat.Indus.Aerospatiale(a)†	1bn	9⅛	99.90	2002	37.5/22.5	Credit Lyonnais

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon payable semi-annually. Put option on 15/12/1994 at par c) Coupon pays 60bp below the Japanese long term Prime rate.



View to the future: the move is part of the exchange's objective of promoting Singapore as a regional trading centre

Foreign brokers offered Singapore seats

By Victor Mallet in Bangkok

THE Stock Exchange of Singapore (SES) yesterday offered seats to seven foreign securities companies, allowing them to trade directly in the market under the new category of "international members".

Membership will cost the foreign brokers S$8.2m (US$4.9m). They will be allowed to undertake deals of any size for foreign clients, and deals of at least S$5m for local customers.

The seven, chosen from 11 applicants, are Baring Securities, Crédit Lyonnais Securities, Daiwa, Nikko Merchant Bank, Nomura, Smith New Court Securities and Yamaichi Merchant Bank.

"These seven foreign securities companies were selected on the basis of their contributions to the development of the Singapore securities market," the SES said. "The exchange also believes that these companies have the resources and are in a position to continue to contribute to the development of Singapore as a regional securities trading centre."

Singapore's plan to admit 100 per cent foreign members was announced in October 1990, and brokers have been waiting impatiently for yesterday's announcement.

Previously, foreign brokers could deal either as part of a joint venture in which they were allowed a maximum 49 per cent stake, or by working through a local broker and sharing commissions.

The SES, which is trying to attract more foreign institutional business, said it would take "all necessary measures" to achieve its objective of promoting Singapore as the centre for trading regional securities.

Tokyo SE formalises broking trade curbs

By Emiko Terazono in Tokyo

THE Tokyo Stock Exchange (TSE) has formalised rules on share trading which severely restrict the ability of large broking firms to trade on their own account.

However, the rules do not apply to medium-sized and small brokers, who have been hit particularly hard by the stock market slump. Indirectly, this could benefit the leading Japanese brokers: these control a number of smaller broking firms, though their shareholdings are limited to 5 per cent.

The TSE had originally proposed that the rules should also be applied to programme trading – the computerised selling or buying of a basket of shares. This would have made arbitrage trading, which is the core of foreigners' business in Tokyo, impossible.

This proposal has been dropped from the final rules, although its earlier inclusion has served further to heighten tensions between the financial authorities and leading foreign brokers.

The Tokyo stock market has been shaken by rumours that a leading foreign brokerage has threatened to move out of the Tokyo market. Market participants have become increasingly concerned over the regulators' spate of restrictions, aimed at reviving the sluggish cash market.

Leading foreign brokers have expressed discontent as they were excluded from discussions towards the formalisation of the rules.

The new rules had already existed in voluntary form for own-account trading by large brokers. They include a number of restrictive regulations, such as prohibiting the trading of equity-linked issues.

Also, brokers trading on their own account are severely restricted in the prices at which they can deal, being effectively tied to the last price at which a trade was conducted in the market.

The move represents special treatment toward medium-sized and small brokers, who are exempt from such limits on proprietary trading.

Meanwhile, two further rule changes by the TSE have raised concern that the transparency in the Tokyo market may once again decline, following attempts recently to outlaw practices which some claimed amounted to market manipulation.

The TSE has lifted its "30 per cent rule", which prohibited brokers from dealing in more than 30 per cent of the turnover in any stock in a given month. The rule was originally implemented to avoid the dominance of the leading Japanese securities in the market.

The TSE also abolished its "15-minute rule" which prohibited brokers from proprietary orders during the last 15 minutes of the trading session.

Germany clarifies tax rule

GERMANY'S Finance Ministry, attempting to close a potential loophole, is to ensure that Germans with accounts abroad are liable for a new tax on interest income, Reuter reports from Bonn. It will take effect at the start of next year.

German bond prices fell last week on speculation that foreigners would be made subject to the modified 25 per cent withholding tax on interest income, agreed last November, or that Germans with non-resident accounts would have to pay it.

The Finance Ministry last week made clear that there were no plans to make foreigners subject to the tax.

The ministry said, however, that German banks acting as paying agents for interest income would be free to release it only after they had learned which investors outside Germany were not citizens and therefore not subject to the tax.

CLBN secures further loan guarantees

CREDIT Lyonnais, the French state-owned bank, has provided an extra Fl 3bn in loan guarantees to Crédit Lyonnais Nederland Bank (CLBN), its 94 per cent owned Dutch subsidiary, Reuter reports from Rotterdam.

Crédit Lyonnais now stands as guarantor for nearly Fl 5bn of CLBN's debts, up from Fl 2bn in mid-1991.

CLBN yesterday announced that net profits in 1991 more than halved to Fl 30.1m from Fl 63.4m the previous year.

Crédit Lyonnais last year provided Fl 2bn in guarantees for CLBN loans to Mr Giancarlo Parretti, the Italian financier.

The Dutch bank had loans of US$588m outstanding to Mr Parretti as of July 1991. The bulk financed his 1990 takeover of MGM, the US film studio which sank into financial crisis last year.

● Westdeutsche Landesbank Girozentrale (WestLB) said it and the Südwest-Deutsche Landesbank Girozentrale (Südwest LB) have combined their activities in Switzerland.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Mar 16 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Mar 13 Index No.	Thu Mar 12 Index No.	Wed Mar 11 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	791.43	-0.3	8.01	6.03	16.24	2.55	794.15	793.43	797.20	888.14
2	Building Materials (23)	947.43	-1.1	7.32	6.56	18.43	0.99	957.74	959.64	974.31	1161.40
3	Contracting, Construction (28)	876.33	-0.5	8.83	8.34	16.36	2.12	881.08	882.25	891.45	1435.71
4	Electricals (7)	2454.44	-0.4	8.20	6.11	16.07	1.47	2463.20	2475.25	2506.23	2396.59
5	Electronics (26)	1812.99	+0.2	10.00	4.73	12.68	2.20	1808.70	1820.75	1849.23	1939.99
6	Engineering-Aerospace (8)	338.37	+0.3	10.01	7.68	13.00	9.52	337.49	342.68	349.03	445.17
7	Engineering-General (43)	494.77	-0.5	9.11	4.77	13.57	1.21	497.06	498.03	501.95	466.79
8	Metals and Metal Forming (10)	329.17	-0.5	2.11	10.40	-	0.00	330.70	330.46	330.98	499.27
9	Motors (14)	316.33	+0.2	7.36	7.41	18.62	2.90	315.66	320.16	323.15	355.79
10	Other Industrial Materials (19)	1601.02	-0.3	7.43	5.18	16.41	1.08	1605.73	1582.48	1561.31	1569.25
21	CONSUMER GROUP (187)	1621.71	-0.3	7.37	3.46	16.63	5.83	1627.13	1639.80	1659.61	1427.63
22	Brewers and Distillers (23)	2034.98	-0.4	7.88	3.48	15.31	7.92	2043.38	2059.98	2105.42	1767.46
25	Food Manufacturing (18)	1246.65	-0.3	8.82	4.18	14.07	5.59	1250.15	1267.22	1270.93	1183.95
26	Food Retailing (17)	2554.95	+0.1	8.64	3.24	15.05	4.06	2553.19	2605.71	2651.18	2641.21
27	Health and Household (24)	4177.03	-0.4	6.44	2.50	17.61	19.73	4193.61	4205.11	4219.99	3061.94
29	Hotels and Leisure (22)	1287.16	-0.2	6.99	5.29	18.20	8.54	1290.09	1292.74	1326.03	1388.92
30	Media (24)	1511.67	-0.3	6.35	3.63	19.86	2.97	1516.63	1534.93	1547.27	1474.77
31	Packaging, Paper & Printing (17)	741.04	-0.7	7.08	4.52	16.86	0.31	745.95	756.31	768.06	655.04
34	Stores (32)	1030.95	-0.4	7.18	3.50	18.46	1.91	1035.30	1037.75	1051.20	909.87
35	Textiles (10)	650.00	-0.2	7.06	4.78	18.08	2.69	651.34	654.44	669.82	535.72
40	OTHER GROUPS (117)	1185.69	-0.6	10.08	5.58	12.50	8.87	1192.64	1202.67	1223.13	1210.88
41	Business Services (16)	1344.07	-0.2	6.84	4.80	18.58	0.27	1346.66	1359.26	1386.79	1210.62
42	Chemicals (22)	1449.52	-0.7	7.24	5.05	16.91	20.02	1459.43	1457.25	1482.67	1257.18
43	Conglomerates (11)	1319.80	-0.6	10.80	7.66	11.30	3.18	1328.41	1343.17	1352.59	1609.11
44	Transport (14)	2327.80	-0.7	5.45	4.87	24.22	2.93	2345.06	2378.57	2414.72	2227.17
45	Electricity (16)	1138.99	-1.3	15.42	6.53	8.46	17.21	1154.54	1167.13	1194.72	1168.29
46	Telephone Networks(4)	1352.96	-0.7	11.59	4.63	11.27	16.02	1361.98	1385.19	1406.15	1401.27
47	Water(10)	2299.49	-0.1	18.55	6.91	5.94	0.00	2302.41	2311.56	2380.35	2467.76
48	Miscellaneous (24)	1800.11	+0.2	5.68	5.38	24.06	1.26	1796.95	1789.16	1819.92	1899.88
49	INDUSTRIAL GROUP (482)	1274.48	-0.4	8.32	4.57	15.04	6.01	1279.74	1287.94	1303.76	1232.50
51	Oil & Gas (18)	2024.06	+1.0	9.40	7.02	14.04	36.07	2003.54	1997.49	2016.11	2362.23
59	500 SHARE INDEX (500)	1344.38	-0.3	8.43	4.83	14.93	8.20	1347.92	1355.24	1371.48	1328.80
61	FINANCIAL GROUP (86)	688.54	-0.2	-	6.66	-	9.78	689.95	699.14	707.72	855.70
62	Banks (9)	848.94	-0.3	4.75	6.43	45.04	21.90	851.11	865.10	877.73	934.39
65	Insurance (Life) (6)	1417.63	+0.8	-	6.08	-	0.00	1406.40	1423.12	1432.34	1598.15
66	Insurance (Composite) (7)	441.46	-1.4	-	8.65	-	3.67	447.82	461.79	467.19	725.51
67	Insurance (Brokers) (10)	985.49	+0.5	8.00	6.78	16.36	12.58	981.02	983.07	978.02	1149.08
68	Merchant Banks (7)	449.35	-0.1	-	4.61	-	2.26	449.69	453.54	464.23	448.45
69	Property (33)	698.78	....	8.23	6.50	16.63	0.93	699.19	695.56	704.82	1085.95
70	Other Financial (14)	238.33	-0.3	8.46	7.32	15.53	1.38	239.04	240.53	243.42	297.72
71	Investment Trusts (68)	1162.56	-0.3	-	3.81	-	7.30	1166.40	1170.50	1178.79	1214.16
99	ALL-SHARE INDEX (654)	1189.05	-0.3	-	5.01	-	8.36	1192.12	1199.62	1213.87	1212.20

		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Year ago
	FT-SE 100 SHARE INDEX‡	2470.7	-5.3	2484.9	2457.7	2476.0	2493.3	2522.4	2574.8	2550.7	2490.6

FIXED INTEREST

	PRICE INDICES	Mon Mar 16	Day's change %	Fri Mar 13	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (27)	121.34	-0.01	121.35	2.16	2.13
2	5-15 years (25)	133.32	+0.01	133.31	1.84	3.54
3	Over 15 years (9)	142.23	+0.04	142.18	1.46	2.78
4	Irredeemables (6)	158.37	-0.51	159.18	2.79	1.50
5	All stocks (67)	131.95	....	131.95	1.96	3.00
	Index-Linked					
6	Up to 5 years (2)	169.86	....	169.85	0.31	1.37
7	Over 5 years (9)	145.87	....	145.87	0.55	1.20
8	All stocks (11)	148.05	....	148.04	0.52	1.21
9	Debs & Loans (62)	116.49	+0.02	116.46	2.32	2.39

	AVERAGE GROSS REDEMPTION YIELDS		Mon Mar 16	Fri Mar 13	Year ago (approx.)
	British Government				
1	Low	5 years	9.31	9.28	9.44
2	Coupons	15 years	9.52	9.50	9.80
3	(0%-7¾%)	20 years	9.52	9.50	9.98
4	Medium	5 years	9.91	9.89	10.23
5	Coupons	15 years	9.62	9.63	10.22
6	(8%-10¾%)	20 years	9.57	9.57	10.21
7	High	5 years	10.13	10.12	10.39
8	Coupons	15 years	9.75	9.75	10.39
9	(11%-)	20 years	9.67	9.66	10.39
10	Irredeemables	†	9.71	9.65	10.15
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.70	3.70	3.75
12	Inflation rate 5%	Over 5 yrs.	4.48	4.48	4.21
13	Inflation rate 10%	Up to 5 yrs.	3.07	3.07	2.40
14	Inflation rate 10%	Over 5 yrs.	4.31	4.31	4.04
15	Debs &	5 years	11.13	11.06	11.87
16	Loans	15 years	10.84	10.82	11.62
17		25 years	10.66	10.66	11.41

‡Opening index 2483.9; 9 am 2470.2; 10 am 2467.5; 11 am 2474.2; Noon 2468.7; 1 pm 2468.9; 2 pm 2469.1; 2.30 pm 2469.7; 3 pm 2470.4; 4.10 pm 2468.7; (a) 8.37am (b) 9.17am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	36	33
Other Fixed Interest	2	5	10
Commercial, Industrial	147	407	915
Financial & Property	62	211	513
Oil & Gas	21	12	54
Plantations	0	0	9
Mines	5	43	100
Others	37	48	52
Totals	285	762	1,686

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am't Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-
12	Nil	28/4	½pm	½pm	Addison Consultancy	½pm	
410	Nil	22/4	115pm	52pm	Bespak 10p	108pm	
212	Nil	27/3	37pm	22pm	British Vita	22pm	-3
27	Nil	27/3	¼pm	¼pm	Caldwell Invs. 10p	¼pm	
8	Nil	26/3	4pm	1¼pm	Maddox 5p	1¼pm	
95	Nil	16/4	11pm	6pm	Raine Industries 10p	8pm	-1
215	Nil	1/5	40pm	35pm	Trinity Intl 10p	35pm	
4	Nil	3/4	¼pm	¼pm	West Trust	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings — March 16
- Last Dealings — March 27
- Last Declarations — June 25
- For settlement — July 6

3-month call rate indications are shown on this page

Calls in: Clarke Foods, Dowty, Enterprise Computers, Fairway, Lonrho, Microvitec, Pittencrieff, Premier. Puts in: ADT, In Shops, Pict Petroleum.

LONDON TRADED OPTIONS

[illegible]							

March 16 Total Contracts 33,157
Calls 15,904 Puts 17,253
FT-SE Index Calls 6,820 Puts 7,085
Euro FT-SE Calls 119 Puts 1,517
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

INDUSTRIALS	p	Charter Cons.	40	Ladbroke	17	Sears	7½	**OILS**			
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	SmKl Bchm A	78	Aviva Pet	1¼		
Amstrad	3	Courtaulds	39	Lex Service	18	TI	48	BP	22		
Astec (BSR)	3	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40		
BAT Inds	50	FKI	5½	Lonrho	20	Tesco	17	Conroy Pet	7½		
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½		
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3		
Barclays	31	GKN	25	Midland Bank	18	Unilever	70	Shell	37		
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1		
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	**MINES**			
Bowater	55	Glaxo	70	Racal Elect	4½	**PROPERTY**		RTZ	38		
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21				
British Steel	6	GRE	17	Rank Org	45	Land Sec.	38				
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31				
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½				

Pay-out held as IMI falls to £73m

By Paul Cheeseright, Midlands Correspondent

PRE-TAX PROFITS at IMI, one of the largest of the UK's international engineering groups, last year fell by more than a third to 1986 levels as recession caught hold of its titanium business.

The outcome for the year to end-December was £73.3m, compared with £115.1m in 1990, making the second successive year of decline. Nonetheless, the board remained comfortable about the resilience of other parts of the group and recommended maintaining the dividend at 1990 levels. There is a proposed final of 5.8p, bringing total payments for the year to a same-again 10p.

By contrast with Glynwed, the last leading engineering group to maintain its dividend in the face of a sharp profits fall, the payments are amply covered by earnings of 15p per share, against 23p last time.

The figures were in line with expectations, and the share price drifted with the market to close 4p down at 243p.

"It was a tough year in many of the markets in which we operate," said Mr Gary Allen, chief executive.

In the coming year, IMI will depend more on the rationalisation and cost cuts it has made in the group to bring through higher profits than any economic changes.

"It is difficult to see any significant upward trend in most of the markets we serve," said Sir Eric Pountain, chairman.

IMI does not see much improvement in the UK economy until the last quarter, but will continue to invest, with capital spending exceeding the £50m spent in 1991.

Last year the titanium part of the group's refined and wrought metals business faced the toughest conditions as prices and volume dropped by up to 20 per cent.

As demand in the aviation industry slid away, the group's customers cut back their stocks and competitors dropped their prices. The group also lowered its prices to keep its share of the market, but nonetheless the metals business incurred a trading loss of £2m compared with a trading profit of £23.4m.

Although IMI found the UK market, which accounts for 43 per cent of total group sales, difficult, its overall performance has been boosted by its companies in the US. The strength of the German market has also helped the building products division.

● COMMENT

If it had not been for titanium, IMI would have looked in very good shape at the last year-end. Outside the metals business, its sales were slightly up, and not many engineering groups could have said that in 1991. It is protected from recession to some extent by the wide variety of its products and its markets. The only snag is that, on its own account, market prospects for 1992 are not bright. So an increase in 1992 profits is going to depend a great deal on the benefits obtained from rationalisation already undertaken. It is realistic to look for 1992 pre-tax profits somewhere between £85m and £90m, which could give earnings per share of about 18p and put the shares on a prospective p/e of 13.5, with a much sharper increase in 1993 when the economic cycle swings IMI's way.

Divestment of computer side planned

IMI, which last December expanded its information technology interests with the £15m acquisition of Redwood International, is planning to float its computer servicing interests in about three years time, writes Paul Cheeseright.

It is also likely, when property markets have strengthened, to seek outside investors for its property interests, grouped together under the title of Holford Estates.

Mr Gary Allen, chief executive, acknowledged yesterday that these two arms "don't seem to lie well" with the rest of IMI's businesses.

The aim is to build up IMI Computing until it has turnover of about £200m a year before the flotation. This suggests further acquisitions. Buying Redwood doubled the size of turnover to about £60m.

The same approach will be adopted with Holford Estates, which has been developing business parks on industrial land surplus to IMI's requirements. "We need to build it up to a critical mass where it can attract outside investors," Mr Allen said.

IMI has five main operating divisions – building products, drink dispensing equipment, fluid power, special engineering and metals. But the metals business is being re-organised with the copper interests going into building products, and titanium into special engineering.

Christies cuts dividend as profits slump

By Maggie Urry

CHRISTIES International, the auctioneer, slashed its final dividend after pre-tax profits fell from £43.1m to £6.4m in 1991.

The shares fell 12p to 115p.

The final dividend is set at 1p, down from 6p, to give a total of 3.3p (8.3p). Even so it was not covered by earnings per share of 2.12p (14.43p). Christies had to extract £2.1m from reserves (retained profit of £10.5m) to help meet the dividend cost.

The group said the dividend payment "should be the base for dividends for the future".

The dividend had risen sharply in the late 1980s when the art market saw a series of high-priced sales – such as Van Gogh's Sunflowers – and the group's pre-tax profits reached £66.9m in 1989.

Mr Christopher Davidge, managing director, said that Christies planned to revert to a one third/two thirds split between the interim and final dividend.

Mr Davidge said he thought the art market had now bottomed out. Pre-tax profits in the second half were £3.4m compared to £3.1m in the second half of 1990 and £3m in the first half of 1991.

Christies' share of the market, which it splits with Sotheby's, had risen to 48 per cent, its highest level since the mid-1950s. Mr Davidge said that traditionally Christies did better under Labour governments than Conservative ones.

He said that a sale next month, when Hans Holbein's A Lady with a Squirrel and a Starling is to be auctioned with paintings by Rembrandt, Canaletto and others, was important for the first half of the current year.

Sales in 1991 totalled £583m, slightly over half the £1.11bn of 1990, and group turnover fell by 39 per cent to £102.7m (£168.2m).

Mr Davidge said that the drop was mainly the result of falling sales of impressionist and contemporary pictures. These had made up 44 per cent of sales in 1990 but only 19 per cent in 1991. Other areas, such as old masters, prints and drawings, furniture, silver and books, had shown "healthy increases" in sales.

Costs had been cut too, with auction and print costs down 27 per cent to £64m and administrative expenses down 17 per cent to £37.2m.

Interest receivable fell from £7.9m to £4.9m, as the group's cash balances were run down, from £29.5m to £9.1m. The cash inflow was insufficient to cover the outflow for tax, dividends, capital expenditure and working capital.

See Lex

Improved engineering outcome pegs decline at Delta to 24%

By Jane Fuller

A STRONG performance from its engineering division helped to offset the impact of weak prices on electrical cables at Delta, leaving pre-tax profit 24 per cent down from £87.1m to £65.8m in 1991. Turnover fell to £774m, against £793.6m.

Mr Robert Easton, chief executive, said the main damage was caused by pressure on prices in the UK power cables market as the privatised electricity companies husbanded their cash and as European competition intensified.

Operating profit in the cables division came out at £15.1m, less than half the comparable £31m, on sales of £279.4m (£307.2m).

Engineering, on the other hand, advanced to £22.4m (£19.8m) on £295.1m (£279.6m) turnover. Demand for plumbing products and gas controls was particularly strong in Germany and Spain.

Sites were still being closed, but one positive move was the switching of the production of fire-fighting valves from Germany to the UK, "where costs are much lower. It's much more efficient to manufacture in Walsall than Frankfurt," Mr Easton said.

Industrial services was affected by the downturn in Australia and rationalisation costs. Profit fell to £19.5m (£24.1m).

Circuit protection suffered from destocking, reflected in profit down by nearly £4m to £13.7m. Some cushioning was provided by the Malaysian business and a recovery in exports to the Middle East.

Delta took the cost of redundancies and closures above the line and did not quantify them.

Lydia van der Meer

Getting to grips with the US: Robert Easton

Mr Easton said more than 3,500 people had left the group since 1989. The process was expected to moderate this year.

The group ended the year with net debt of £40.7m (£41.2m) for gearing of 13 per cent. There was ample borrowing capacity to make acquisitions, Mr Easton said. In the US, he wanted the group to grow to five times its present sales of £48m by the mid-1990s.

Earnings per share fell to 28p (35.7p). A maintained final dividend of 9.8p makes an unchanged total of 14p.

● COMMENT

Mr Easton is perhaps the first industrialist to describe the recession as history, especially when his company is still being affected by it. His equanimity is to some extent justified by the resilience Delta has shown. In spite of its 50 per cent exposure to the UK, earnings per share have fallen by less than 24 per cent since the 1989 peak. The benefit of prompt cost cuts and a tempering of the reorganisation bill this year should restore profit growth, although cables markets are likely to remain difficult. Indeed the collapse in cables profits from £10.7m to £4.4m between the first and second halves was the most disappointing aspect of the figures. A pre-tax forecast of £70m-£75m this year gives a prospective p/e of about 14 on yesterday's close of 446p. Its track record, strong balance sheet and comfortable dividend cover has earned a small premium to the market. Although there is little scope for short-term progress, the shares remain worth holding.

Publishing performance gives BPP lift to £6.4m

By Roland Rudd

BPP HOLDINGS, the financial training and publishing group, announced pre-tax profits 23 per cent ahead, up from £5.19m to £6.39m, for the 1991 year.

A strong performance from publishing offset a fall in profits from training and language courses. These were hit by lower recruitment of chartered accountants and the Gulf war.

Mr Richard Price, chairman, said: "We like to think we are a good each way bet for the general election. If the Conservatives win it will be good for the underlying strength of the economy, while if Labour wins it will be good for training."

Earnings per share increased to 17.3p (15.7p) as sales rose to £42.4m (£36.7m). An increased final dividend of 4.5p lifts the total to 6.9p (6.3p).

There was an extraordinary charge of £362,000 to cover the costs of closing BPP Management Education and the unsuccessful legal action to lift an injunction preventing the group from bidding for DC Gardner.

In May the group raised £12.3m by way of a rights issue, used to acquire Letts Educational, a publisher of home-study books for school examinations, for £3.7m, and the purchase of 75 per cent of Melrose, a publisher of video-based training packages, for £5.75m. The group now has net cash of £5.2m and is looking at various publishing companies to buy.

The publishing activities all did well, benefiting from the rise in numbers of college students, and increased profits to £1.95m (£1.27m).

Medeva pays £9.3m for two hepatitis B products

By Richard Gourlay

MEDEVA, UK pharmaceuticals group, has bought worldwide rights to two hepatitis B products for about £9.3m.

Mr Ian Gowrie-Smith, managing director, said the acquisitions continued the programme of acquiring and developing pharmaceutical products with a short lead-time before they could be put on the market.

Medeva is paying SFr10m (£3.86m) immediately to Eptitec and GA Investments.

The balance is dependent on successful completion of further development work and reaching some registration milestones in European countries.

One product is a vaccine for the prevention of hepatitis B. It is in late-stage clinical development and the early phases of regulatory approval. Current estimates of the size of the market for this product are £150m, Medeva said.

The other product is a treatment for chronic hepatitis caused by the hepatitis B virus. This is in early clinical development and will reach the market in five years.

Medeva said it would probably seek a partner to develop the second treatment.

● Meanwhile, Mr Bernard Taylor, executive chairman, said the company's unbranded generic businesses were for sale, adds Paul Abrahams.

These include a small part of the £85m Evans acquisition in January 1990, and Thomas Kerfoot which Medeva bought for £10m in September 1990. Mr Taylor said the businesses were holding their own.

Interest rise and strong wholesale broking help push MAI ahead 2%

By Angus Foster

MAI, the broking, financial services and information group, yesterday announced interim pre-tax profits up 2 per cent after a strong performance from wholesale broking and higher interest payments on its £100m cash pile.

Lord Hollick, the managing director ennobled last year as a Labour life peer, said most core businesses saw progress. "This is a good performance in a recession," he said.

Pre-tax profits increased to £30.2m (£29.6m) in the six months to end-December. Turnover improved 13 per cent to £187.2m (£166.4m). Earnings firmed to 5.8p (5.7p) and the interim dividend is again 1.4p.

Operating profits from wholesale broking increased to £18.9m (£16m). About one third of the increase was due to favourable exchange rates.

"We've also been quite successful in gaining market share and moving into new markets," Lord Hollick said.

Net interest receivable increased to £5.3m (£4.1m). Most of the company's £100m cash came from the sale last year of part of its stake in Avenir, the French media group. MAI has retained 15.2 per cent of the company, worth £44m.

MAI is the majority shareholder in Meridian, which last year won control of the ITV franchise held by TVS Entertainment. Meridian has acquired freehold land, studios and equipment from TVS. This will reduce Meridian's expected investment from £35m to £25m, Lord Hollick said.

● COMMENT

Lord Hollick is one of few City figures hoping for a Labour victory. Actually, a hung parliament would be the best outcome for his media division since it would mean yet more polling for NOP. But longer term, MAI is relatively immune from the swings of party politics. With the new government, whatever the party, likely to be faced with a higher PSBR, MAI's inter dealer brokerage in the gilts market will be active. The retail financial services and information divisions, meanwhile, need an economic upturn rather than a change of government. With full year profits forecast for £70m, the shares are on less than 9 times earnings. The low rating has been partly due to worries about spending on Meridian, but given the savings from the TVS deal, MAI's shares now look undervalued.

MMC to probe shoe polish buy

By John Thornhill

MR PETER Lilley, the trade and industry secretary, yesterday signalled his interest in Britons' clean shoes by referring last October's acquisition of Reckitt & Colman's shoe polish businesses by Sara Lee to the Monopolies and Mergers Commission.

Through the acquisition, the US-based Sara Lee, which already owns Kiwi shoe polishes, added the Cherry Blossom and Meltonian brands to its portfolio giving it more than half the UK market.

The Office of Fair Trading, which investigated the acquisition and recommended the referral, thought it raised fears about excessive concentration in the £15m-£20m market, especially given the combined strength of the brand names.

If the MMC decides the merger is against the public interest, Mr Lilley may force Sara Lee to sell the Reckitt polishes.

The OFT is believed to have intervened in response to several complaints from retailing companies, which feared there had been too great a consolidation of power among their polish suppliers. Many big supermarket groups have developed their own-label shoe polishes and would be strong enough to look after themselves but smaller operators suggested they might prove to be especially vulnerable.

Sara Lee rejected the charge yesterday. Mr Euan Venters, marketing director for Sara Lee in the UK, said: "We continue to believe very strongly that the acquisition is not against the interests of consumers or the trade."

He said he could not state what market share the company possessed. "The total market is an oddity. We cannot give figures because it is a very fragmented and complicated market," he said.

Sara Lee manufactures its polishes at Honley, West Yorkshire, and has been transferring production of Reckitt's brands to this site. It did not acquire Reckitt's production plant at Hull, which continues to produce the Nugget shoe polish for the UK consumer products group.

The assets acquired by Sara Lee were less than £30m, ensuring that the referral could only be made on the grounds of excessive market share.

The MMC will report by June 17.

Renold ready for bid from TT

Renold, a maker of chains and gears for power transmission equipment, has got its retaliation in early against a possible hostile bid from TT Group, writes Jane Fuller.

In response to TT taking a 2.9 per cent stake, Renold warned that the acquisitive industrial holding company might try to acquire it "on the cheap at the lowest point in the economic cycle". It advised shareholders not to sell.

The share price promptly rose by more than 20 per cent to 55½p, a market value of £36.4m, but not before TT had taken its stake to 4.6 per cent. Mr John Newman, a director of TT, said the purchases were "just an investment".

Renold said yesterday the full-year pre-tax deficit would not exceed £3.5m, after exceptional charges of £1.5m.

Wilson Bowden down 8% as caution unsettles sector

By Andrew Taylor, Construction Correspondent

WILSON BOWDEN restricted the fall in its pre-tax profit last year to just 8 per cent at £27.8m as it unveiled what is likely to be one of the better performances from house-builders in the current reporting season.

However, the group cautioned against optimism created by a rise in house sales since the end of last year. This has prompted some suggestions that the housing market may be starting to recover after almost four years of recession.

Mr David Wilson, chairman, said that the modest improvement was being compared with a very depressed period in 1991, when sales were affected badly by the Gulf war. It could in no way be described as a recovery, he said.

Purchasers' confidence remained fragile and was likely to be dented by the uncertainty caused by the election campaign. Sales had already started to drift back, said Mr Wilson.

His comments sent the group's share price down 10p to 430p and caused other housebuilding and building materials stocks to fall.

The decline from the previous year's £30.1m came on turnover ahead from £129.1 to £135.9m.

The final dividend is increased to 6.2p for a total dividend of 8.7p (8.3p), covered almost 3 times by earnings which, after allowing for the effects of the £34m rights issue last March, fell from 28.6p to 24.5p.

The total dividend on the enlarged share capital represents a 14 per cent increase.

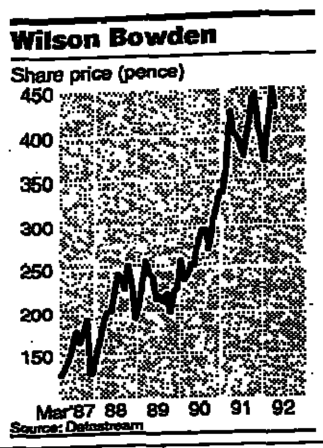
The housebuilding division increased profits from £20.9m to £21.5m. It sold 1,324 homes last year – against 1,263 in 1990 – at an average price of £80,000, up from £78,500.

Commercial property profits, however, fell from £10.1m to £6.7m on sales virtually unchanged at £30m.

At the end of the year the group had net cash of £7m compared with shareholders funds of £157m. Borrowings, however, are likely to rise this year as the group takes advantage of lower prices to purchase residential and commercial land.

● COMMENT

The market paid more attention to comments about the fragility of confidence in the housing market than it did to the quality of Wilson Bowden's results. Despite its current reservations, the company is clearly positioning itself for a recovery. Borrowings have risen to about £20m and could approach £30m by the year end – representing gearing of about 20 per cent. The company's housing land bank last year increased from 6,200 plots to 7,900 plots with planning permission. The company also recently acquired the rights to a further 230 acres of commercial land. These purchases should stand it in good stead when demand does start to recover. Much of this potential, however, is already in the share price with a prospective p/e of 19.4 on prospective profits of £25.5m in 1992.



Suter falls 26% to £17.8m but maintains the worst is past

By Angus Foster

SUTER, the industrial, distribution and chemical company chaired by Mr David Abell, yesterday announced a 26 per cent fall in pre-tax profits but said that the outlook for some divisions had improved. "We have bottomed out," said Mr Abell.

Pre-tax profits amounted to £17.8m in the year to December 31. The company blamed the fall on the recession, eroded margins and the cancellation of an important contract for Pentagon Chemicals, a subsidiary.

Turnover edged ahead by almost 2 per cent to £205.7m but would have slipped by 3 per cent if adjusted for 1990 acquisitions. Fully diluted earnings fell to 10.5p (15p) per share. The directors recommended a maintained final dividend of 5.6p, making an unchanged total of 8.8p.

Turnover in the chemicals division increased 10 per cent, reflecting a full contribution from Chemoxy International, the Middlesbrough chemicals group won from rival bidder MTM in 1990. But operating profits fell 32 per cent to £6.3m after an unrelated company, which sub-contracted to Pentagon, lost the contract. Pentagon has won some new business but its plant is only at 60 per cent of capacity.

Turnover in the industrial division rose 2 per cent to £96m but operating profits fell 15 per cent to £9.9m. Air-conditioner sales were affected by recession in the building industry although the valves division, which supplies the petrochemical and oil sectors, performed well.

There were extraordinary losses of £6.3m, which included a £4.1m provision to cover an investment in Harton, the loss-making plastics distributor. The 21.9 per cent stake cost £6m and is now valued at £2.5m.

Net borrowings fell by £7.3m to £33.6m, bringing gearing down 10 percentage points to 74 per cent. Mr Abell said debt levels would not be reduced this year.

The Department of Trade and Industry is continuing its investigations of six companies with Suter links. DTI inspectors were appointed in 1988 and 1989 to establish whether certain investors in the companies acted in concert. Their report is due to be handed to the DTI soon.

● COMMENT

Suter continues to be spurned by the market, which marked the shares down 1p to 121p despite results in line with expectations and a maintained dividend. Parts of the business, such as Chemoxy, the valves division and Raffel, a European supplier of heat exchange equipment, show promise and should come out of recession strongly. But too many questions remain. The investment in Harton now looks unfortunate and Mr Abell admits Suter paid too much for Pentagon. His remarks yesterday that Suter may be interested in buying part of MTM look well intentioned, but it is difficult to see how it can pay with its gearing and share price at these levels. If Suter achieves forecast pre-tax profits of £22m this year, the shares are on a multiple of less than 10. But even if the cloud of the DTI report is removed, the shares are unlikely to be attractive other than for their yield.

Brighter outlook at Jones & Shipman

By Andrew Baxter

JONES & SHIPMAN, one of the UK's few remaining publicly-quoted machine tool companies, yesterday reported a "quickening in the pace of new order inquiries from manufacturing industry in the US and Canada, as well as the UK."

Mr John Wareing, managing director, said that since early February "positive interest has grown" in buying the Leicester-based company's computer-controlled precision grinding and honing machine tools.

The announcement contrasts with the tone of the company's interim statement in December, and is one of the first indications that the outlook for the UK machine tool industry may be improving.

The company fell from profits of £400,000 to losses of £2.46m pre-tax in the six months to September 30 and passed its interim dividend, blaming a "widespread moratorium in investment in manufacturing facilities, particularly in the UK."

Yesterday, Mr Wareing said most of the new inquiries had come from traditional customers in the aerospace, precision tool, electronic component and computer accessory industries.

But interest had also been expressed by new customer sources such as manufacturers of medical and surgical equipment, power-tool makers, air conditioning system manufacturers and the diesel fuel injection industry.

Mr Wareing was speaking in connection with the company's decision to exploit "the first signs of a flickering recovery" by exhibiting in force at Mach '92, the UK's largest machine tool exhibition, at Birmingham NEC in May.

Mr Wareing's statement will be of interest to many in the UK's hard-pressed machine tool industry.

However, a rise in inquiries needs to be followed by an upturn in orders before the industry can say real recovery has begun, and most still believe that will not come until 1993.

NEWS DIGEST

Jas Fisher to close terminal

JAMES FISHER and Sons saw annual profits dive 59 per cent following increased losses from port terminal and agency operations and a reduced contribution from shipping.

And the Barrow-in-Furness-based group is to close its profitable terminal at Whitehaven following the decision by Albright and Wilson, the principal user of the facility, to cease the importing and processing of phosphate rock.

The pre-tax outcome for the 1991 year – £1.5m against £3.63m – came on turnover of £30.1m (£29.9m). Despite the outcome at Whitehaven, port operations incurred operating losses of £1.99m (£351,000), reflecting "difficult trading conditions" at the Newhaven and Heysham terminals.

The shipping side contributed operating profits of £3.8m, down from £4.22m, as the recession led to lower freight rates and fewer bareboat charter commitments.

The directors hope that the closure of the Whitehaven terminal, while having an adverse effect on the group, would be offset by improved profitability of the other two facilities.

Earnings per share dipped to 5.1p (9.11p) but the final dividend is held at a proposed 3.5p, maintaining the total for the year at 5.5p.

Lower copper prices behind Fags decline

The lower copper price was the main cause of a sharp profits fall in the mining division of Antofagasta Holdings, the UK-quoted group with mining, railway, industrial and banking interests in Chile. This fall lay behind a 35 per cent decline in group pre-tax profits from £29.3m to £19.2m in 1991.

The company said that it would be introducing two new copper mines in 1992 which were expected to increase copper production, attributable to the group, from 31,000 tonnes in 1991 to 53,000 tonnes in 1992. This time mining made profits of £5.59m (£14.5m) on turnover of £43.4m (£45.2m).

Group turnover was static at £57.1m. Group operating profits shrank 48 per cent to £9.82m (£18.9m) and income from associated companies – in banking, manufacturing, telecommunications and mining – slipped 10 per cent to £9.34m.

Earnings fell to 50.2p (76p) per share, but an unchanged final dividend of 13p is recommended for a maintained total of 19p.

Thai-Euro Fund first dividend

Thai-Euro Fund is proposing a maiden dividend after outperforming the Thai stock market index in the second half and boosting net asset value at the year end from $16.55 (£9.40p) to $18.40.

Total revenue was up at $5.95m ($5.3m) and retained revenue stood at $1.18m ($2.28m). Earnings per share came out at 38.2 cents (30.4 cents) and the proposed dividend is 22.5 cents.

Further progress as Mayborn rises 75%

Taxable profits at Mayborn Group, the USM-quoted florists' sundries, fabric dyes and baby products company, jumped 75 per cent from £1.56m to £2.73m in the year to December 31.

The outcome followed trebled profits at the interim stage and a recovery from £200,000 to £1.56m in 1990.

There was a modest advance in turnover from £32.7m to £33m but operating profits improved 55 per cent to £3.43m (£2.2m). However, the figures for last year included a loss of £478,000 from discontinued operations.

Earnings emerged at 10.1p (7.4p) per share and the final dividend is lifted to a proposed 2.8p for a total of 4.2p (3.8p).

Honeysuckle grows to £589,000

Honeysuckle Group, the USM-quoted textile, clothing and footwear wholesaler, reported a strong advance in pre-tax profits, from £243,000 to £589,000, in the six months to end-November.

Mr David Serr, chairman, said the improvement had been achieved at a time when other companies in the same sector had been cutting back and announcing disappointing figures.

Sales increased from £10.5m to £11.1m. Earnings per share rose to 4.7p (1.5p).

Directors said that a dividend would again be paid at the year end. The group made profits of £274,000 from turnover of £18.7m in 1990 and paid a single dividend of 1p.

US behind asset rise at Alliance Trust

The Alliance Trust reported a net asset value of £15.39p at January 31 – an advance of some 24 per cent over the year.

Directors attributed the rise to the comparative strength of US markets where the largest proportion of the trust's portfolio outside the UK is centred.

Net revenue edged ahead to £21.9m (£20.5m), for earnings of 43.5p (40.66p) per share. A recommended final dividend of 29p lifts the total for the year by 3p to 43p.

ISA Intl declines 25% to £2.1m

ISA International, the Bradford-based computer accessories distributor, reported a 25 per cent contraction – from £2.83m to £2.12m – in pre-tax profits for 1991.

However, Mr John Parkinson, chairman, said the outcome arrested the decline of the second half of 1990.

Net interest charges fell from £649,000 to £481,000. Borrowings at the year-end amounted to £603,000 reducing gearing below 10 per cent.

Turnover improved 7 per cent to £76.4m. Earnings per share dipped to 4.31p (5.84p), but the proposed final dividend is raised to 0.951p for a total of 1.365p (1.288p).

BOARD MEETINGS

TODAY

Interims- Green (Ernest), M & G Income Investment Trust, Scholes, Trace Computers.
Finals- Bluebird Toys, Celestion Industries, Dartmoor Investment Trust, Evans Halshaw, Graseby, Henderson Highland Trust, Peek, Refuge, River & Mercantile American Capital & Income Trust, Watmoughs, Wimpey (George).

FUTURE DATES

Interims-	
Amber Day	
Burn Stewart	Mar. 24
Highland Distilleries	Mar. 25
Minorco	Apr. 6
Pressac	Mar. 19
Smiths Industries	Mar. 25
Tay Homes	Apr. 15
Finals-	Mar. 24
APV	
Automated Security	Mar. 26
Ayrshire Metal Products	Mar. 18
	Mar. 29
Bridon	Mar. 24
Bristol & West	Mar. 18
Bridon Estate	Apr. 29
Burmah Castrol	Mar. 26
Burnford	Mar. 28
Computer People	Mar. 30
Edinburgh Oil & Gas	Mar. 24
Erith	Apr. 14
Geest	Mar. 24
Harrisons & Crosfield	Apr. 1
Hogg Group	Apr. 1
Kingston Oil & Gas	Apr. 22
Lasmo	Mar. 25
Linread	Mar. 23
Monument Oil & Gas	Mar. 26
Schroders	Mar. 18
Scottish Television	Apr. 3
Spear (JW)	Mar. 26
Tibbett & Britten	Mar. 25
Trade Indemnity	Mar. 18

UK COMPANY NEWS

Rugby falls 16% on downturn in construction

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS at the Rugby Group, which sells about a fifth of the UK's cement, tumbled by 16 per cent from £66.7m to £55.8m in 1991 as construction output fell sharply in the UK, US and Australia.

Turnover fell almost 8 per cent, from £578m to £532.6m. Despite the profits fall the company proposed a maintained final dividend of 3.6p for an unchanged total of 6.45p. This is comfortably covered by earnings of 12.7p (14.9p).

Profits from the UK cement division, which accounted for 37 per cent of trading profits, fell by a quarter from £25.7m to £19.1m.

Mr Peter Carr, managing director, said that UK cement volume sales fell by almost 18 per cent, compared with about 16 per cent for the industry as whole. Rugby's main markets are in southern England which has been worst affected by the downturn in construction.

Mr Carr said that UK cement sales were expected fall by a further 5 per cent this year.

Profits from the UK joinery business, fell from £18m to £15.2m, despite benefits from new acquisitions. The division was hit both by falling sales and prices as UK residential and commercial property markets went into reverse.

The UK steel reinforcing business suffered particularly badly with profits falling from £4.23m to just £509,000.

Overseas profits also dipped sharply. The only respite was found in Australia where demand from the alumina industry pushed cement and lime profits up by a quarter to £9.68m.

This was partially offset by a fall in Australian joinery profits from £1.29m to £203,000. US joinery profits fell from £342,000 to £265,000. Joinery profits from continental Europe fell by 6 per cent to £2.27m. Glass profits from continental Europe, however, rose by almost a third to £2.16m.

● COMMENT

Forget about the profits, look at the strength of the balance sheet. Last year Rugby produced a positive cashflow of £18.6m leaving it with net cash at the end of the year of £23.8m. The oligopoly in the UK cement market, where there are only three large manufacturers, means that cement prices have not come under the same sorts of pressures as other building materials. Rugby, meanwhile, has put in some hard work reducing costs, cutting a further 400 jobs in the past 12 months. The cash flow benefits of cement making, however, is well known and is already in the share price. The group is in a position to spend up to £100m on acquisitions if it could find something worthwhile. Pre-tax profits slightly higher at £57m would put the group on a prospective p/e of 15. The shares are safe but look fully valued at this point in the cycle.

Metalrax bucks sector trend with modest rise

By Richard Gourlay

METALRAX, the Birmingham-based specialist engineering group, yesterday reported record profits and a sizeable increase in the dividend in sharp contrast to evidence of recession in much of the sector.

Pre-tax profits for the year to December 31 advanced from £7.13m to £7.21m on sales marginally lower at £62.9m (£63.9m).

The company said the record profits had been achieved through productivity gains from capital investment and positive cash flows, as well as its broad spectrum of engineering activities which range from branded storage systems and housewares to general engineering components.

Earnings per share rose from 7.25p to 7.62p and the directors have recommended raising the final dividend to 2.9p (2.58p), giving 3.9p for the year, a rise of almost 12 per cent. The company is also to make a 1-for-10 scrip issue. To this end, the directors are recommending that £325,523 of reserves be capitalised.

Metalrax said that its "momentum" had continued during the first two months of 1992.

The soft seller forced to make the hardest sell

Gary Mead on the options facing WPP to reduce its enormous mountain of debt

IT IS fortunate that Mr Martin Sorrell, chief executive of WPP, appears to relish a challenge. He clearly has an enormous one on his hands.

On top of yesterday's announcement that pre-tax profits had fallen by 38 per cent in 1991, leaving underlying trading profits of just £38.4m, it now seems that WPP is about to try to raise up to $200m (£113.6m) from disposals to reduce its heavy debt burden.

With world advertising revenues unlikely to grow by more than 1 per cent this year, it is hardly the best time to be making fire-sales.

Nevertheless, Mr Sorrell may have little real choice. He confirmed yesterday that he has plans to re-organise WPP, which has two of the world's best advertising brand names, J Walter Thompson and Ogilvy & Mather.

The long-promised sale of the US agency Scali McCabe Sloves, which WPP acquired in May 1989, will steam ahead. In November 1990 Scali lost the $40m Volvo account when it was revealed that a Volvo commercial featuring the safety aspects of the brand had been rigged.

Yesterday Mr Sorrell said he had a "moral obligation" to sell the agency; in February this year Scali gained renewed confidence – and probably increased value – when it won Mercedes' $115m North American account.

Ashley Ashwood

Martin Sorrell: facing an enormous challenge

Disposal of all or part of WPP's market research subsidiaries – Millward Brown International, MRG Group and Research International – is another likely move. Flotation on the Tokyo stock exchange of a minority stake in its Far Eastern advertising interests is also on the cards.

Mr Sorrell said that such moves would, on a "conservative" estimate, result in proceeds of some $200m; he estimated that the group had a "short-term cash need over the next year" of some $100m. The timetable for all three actions was "the sooner the better", though certainly before the end of 1992.

The imperative behind the decision to make disposals and attempt flotations clearly comes from WPP's banks rather than from Mr Sorrell, who described the relationship with the co-ordinating committee – formed by Bankers Trust, JP Morgan, Citibank and Barclays' – of his 25 bankers as "constructive and productive".

The albatross round the neck of WPP is its heavy debt burden incurred through big acquisitions made in the 1980s.

At the end of 1990, WPP became concerned that it was likely to breach covenants on its medium-term loans. It renegotiated its borrowings, putting in place a new medium-term facility of $400m, to be repaid or refinanced by June 1993. In addition, a $604.5m term loan is to be repaid in semi-annual instalments over four years from June 1993.

It has not drawn fully on those facilities but its debt still averaged £472m last year against £432m in 1990. It ended 1991 at £334m against £297m at December 1990.

According to one analyst, without the release of some £17.8m of exceptional items to boost 1991's pre-tax profits to £56.1m, WPP would have breached its banking covenants.

Even if Mr Sorrell manages to raise as much as $200m from the re-organisations he has in mind, that will probably not be enough; "even with disposals, no way are they going to meet their banking covenants" is the view of one analyst.

Another analyst, Mr Richard Dale of Smith New Court, said that 1991's performance "was worse than expected; in the current year we expect revenues to be at best flat, and pre-tax profits to be about around £40m, giving interest rate cover of 1.8 times, below that required by banks. It is therefore not surprising that they are now talking to the banks again."

Moreover, it is increasingly unlikely that WPP will be able to meet its debt repayment obligations for 1993.

One solution – which Mr Sorrell continues to disparage – might be the sale of one of his two world-leading international advertising agency networks.

But even without Mr Sorrell's well-known opposition to such a notion, with the slump in advertising the price that could be obtained for either would hardly match the sort of figures Mr Sorrell paid for them – $566m for JWT in 1987 and $864m for O&M in 1989.

Mr Sorrell therefore needs to maintain a productive relationship with his bankers.

The view of another analyst is that "it is not in the banks' interest to put WPP into receivership", since the core value of the group's business is in people and property, neither of which can be easily valued, least of all given 1991's 3 per cent collapse (in real terms) in international advertising revenue and a property slump.

Not for the first time, bankers may find themselves over a barrel with little choice but to come to the aid of an ailing company, in the hope that it will all come right.

BTR disposals and Hawker Canada stake may be sold

By Maggie Urry in London and Bernard Simon in Toronto

BTR, the industrial conglomerate, has sold two businesses acquired through recent takeovers for £33.1m.

It also said it was considering the sale of its majority stake in Hawker Siddeley Canada, valued at about C$220m (£107m).

The group acquired Hawker Siddeley last November for £1.55bn and said yesterday it was conducting a review of its interest in the Canadian subsidiary. BTR holds 59 per cent of HSC's common stock and 42 per cent of its preferred shares. BTR shares rose 2p to 406p.

HSC has diverse manufacturing interests, including aircraft engine components, steel castings, and mining and forestry equipment. It also repairs jet engines and leases railway wagons. Profits fell last year from C$23.7m to C$11.3m, largely as a result of problems in British coal-mining and Canadian forestry industries.

Bowater, the packaging and industrial films group, is buying the printing division of Rockware, which BTR bought last September in a £197m cash bid, for £15.3m. Bowater recently launched a £333.5m rights issue and announced two acquisitions of packaging groups for £444m.

Mr David Lyon, chief executive of Bowater, said that the purchase of Rockware Printing had been under discussion even before BTR's bid. The deal would roughly double Bowater's market share in the bespoke business forms market to about 10 per cent. There could be some rationalisation of the business, he said.

Rockware Printing's turnover in 1991 was £23m. Its profits and assets were not disclosed, but Mr Lyon said he thought Bowater was paying a fair price. The purchase is for cash and Mr Lyon said it would increase Bowater's gearing from 35 per cent to 38 per cent, after taking account of the rights issue and the other acquisitions. Bowater shares rose 1p to 770p.

The other disposal BTR announced was of a 24 per cent stake in Bunnings, a quoted Australian timber products group, for A$40.3m (£17.8m). The stake has been sold to Westfarmers, of Perth, Western Australia.

Reinsurance underpins JIB

By Richard Lapper

A STRONG performance in the international reinsurance sector underpinned profits growth at JIB Group, the insurance broker floated in November by Jardine Matheson, the Hong Kong-based trading company.

JIB, the latest of a series of medium-sized brokers to obtain a stock market listing, reported a 33 per cent rise, from £15.1m to £20.1m, in pre-tax profits for the year to December 31 1991.

The figures were flattered by a contribution of £2.61m from interest earned on a capital injection made by Jardine Matheson last June, but underlying profits increased by 13 per cent with earnings per share up to 13.6p (12p).

The company declared a dividend of 5p.

However, the performance failed to stir much enthusiasm among investors. JIB's share price fell back to 187p, 3p down on the day and 8p down on the 195p paid for shares at the flotation.

Approximately one third of the company's shares were placed in an offer which was subscribed three times.

The company's reinsurance division increased its contribution to profits from £8.77m to £10.7m against an improvement in turnover to £22.8m (£20m).

Growth in France, Australasia and Asia, where reinsurance operations have begun recently, was the main reason.

Mr John Barton, chief executive, said that in London JIB's avoiding involvement in retrocession or spiral business had held the company in good stead following problems in that part of the market this year.

JIB's US retail division, which generate 43 per cent of revenues, was held back by continuing softness in US insurance rates. Profits contributed fell from £3.93m to £2.11m.

JIB completed a review of its US operations during the year and opted to close 25 offices.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alliance Trust ......fin	29	Apr 27	27	43	40
Antofagasta ......fin	13	Jun 8	13	19	19
BPP ......fin	4.5†	May 14	4	6.9	6.3
Christies Intl ......fin	1	May 20	6	3.3	8.3
Delta ......fin	9.8	June 1	9.8	14	14
Fisher (James) ......fin	3.5	May 15	3.5	5.5	5.5
IMI ......fin	5.8	May 18	5.8	10	10
ISA Intl ......fin	0.951	May 31	0.874	1.365	1.288
JIB ......fin	5	May 18	-	5	-
MAI ......int	1.4	May 2	1.4	-	5.6
Mayborn § ......fin	2.8	May 29	2.5	4.2	3.8
Metalrax ......fin	2.9	May 29	2.58*	3.9	3.49*
Rugby ......fin	3.6	May 15	3.6	6.45	6.45
Suter ......fin	5.6☆	June 22	5.6	8.8	8.8
Thai-Euro Fund ......fin	22.5★	-	-	22.5	-
Wilson Bowden ......fin	6.2†	May 26	5.9	8.7	8.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option. ★US cents.

COMMODITIES AND AGRICULTURE

Gold market in confusion as price sets 5¾-year low

By Kenneth Gooding, Mining Correspondent

CONFUSION REIGNED in the gold market yesterday as the price in London dropped at one stage to $341 a troy ounce, the lowest since June 1986. It closed at $342.20, down $3.80 from Friday's close.

On the New York Commodity Exchange the most-active April contract crashed through all remaining technical barriers to $342.10 an ounce and at midday seemed set to test new lows.

Some analysts said there was now nothing to stop spot gold falling below $300. One recalled that the last time that happened, in 1985, the price took a year to climb back to $340.

Dealers said yesterday's selling started at the morning "fix" in London and came from several quarters. Some suggested selling seemed to be related to a specific deal or deals somewhere in the market's shadowy background, rather than being caused by any fundamental reason.

Some said the fall was associated with uncertainties about the South African referendum. Whatever the reason, the drop in London triggered more selling by computer-driven US funds.

"With Middle East players effectively out of the market because of (the fasting month of) Ramadan, there were no buyers when people began baling out. The price could just keep going down," said Mr Wiktor Bielski, analyst at Carr Kitcat & Aitken, part of the Banque Indosuez group.

Mr Michael Spriggs, analyst at the S.G. Warburg Securities financial services group, said: "It is very worrying because chartists say there is no real support for the price below $342. The price could go all the way down to $325 and I can't see what would push it back over $350 in the near term".

Strike hits Peruvian copper mine

By Sally Bowen in Lima

TWENTY MONTHS of labour peace at Southern Peru Copper Corporation, producer of two-thirds of all of Peru's copper, came to an end yesterday when blue-collar workers from all four company unions and white collar workers at the Cuajone mine went on strike.

The smelter at Ilo, which produced a record 300,117 short tons (2,000 lb each) of blister last year, was still functioning, according to SPCC. About 40 per cent of operators had turned up for work as normal. A senior company official commented, "We are maintaining production at near normal levels – we have contingency plans for this sort of situation".

Surprise was expressed in the local mining sector over the SPCC strike, scheduled to last 48 hours. SPCC workers are among the best paid in Peru's mining industry. A "labour peace" pact for 1992 is still under discussion by the striking unions.

The motive for the strike – a technicality for calculating wage rises – "seems inexplicably trivial," said one mining industry source in Lima. "This looks more political than anything else."

SPCC recently announced investment plans totalling $300m over the next five years. The US-owned company is to build electro-winning plants at both its huge open-cast mines of Cuajone and Toquepala, and a partial capture acid plant for the Ilo smelter.

● Metal workers blocked traffic and disrupted rail services here to protest at the threatened closure of the 90,000-tonne capacity lead works of Sociedad Minera y Metalurgica de Penarroya Espana, a wholly-owned unit of Franco-German multinational Metaleurop, Reports Reuter from Cartagena.

Assured EC access urged for banana producers

By David Dodwell, World Trade Editor

BANANA EXPORTERS in small African, Caribbean and Pacific (ACP) countries should be assured a minimum quota in the European market and tariff protection against cheaper, large-scale producers, says a report published yesterday by a coalition of lobbyists for the developing world.

In addition, tariffs levied on large-scale producers should be earmarked to fund a system of price support for ACP suppliers, along with assistance on diversification, the International Coalition for Development Action said in its report. The European Community should monitor the cartel activities of the three multinationals that dominate banana production among large-scale producers.

The report comes in the wake of fresh British government assurances that treaty promises made to Caribbean banana exporters will be honoured when the European Commission decides next week how to create a single market in bananas.

EC Banana Supplies (percentage shares)	
Colombia	10.8
Ecuador	10.6
Panama	10.6
Costa Rica	9.3
Honduras	8.1
Martinique	7.2
Guadeloupe	4.6
Belize	4.0
St. Lucia	3.8
Ivory Coast	3.7
Cameroon	2.1
Dominica	2.0
Gautemala	1.8
Somalia	1.6
St. Vincent	1.6
Suriname	1.4
Jamaica	1.0
Grenada	0.3

Source: World Bank

Mr John Gummer, the UK farm minister, assured the House of Commons in a parliamentary answer last Friday that Britain intended to stand by its obligations under the Lomé convention (a trade agreement with developing former European colonies), and would support any EC decision that conformed with these commitments.

The "Eurobanana" has generated immense controversy, since the creation of the single market makes it possible for "dollar banana" producers, mainly in central America, to undercut traditional suppliers. These are mainly former French and British colonies, which have protected access to particular European markets, and high prices – both assured by development commitments made under the Lomé convention.

The EC is the world's biggest importer of bananas, purchasing 3.2m tonnes in 1990. Small ACP countries like Jamaica and the Windward Islands supply 18 per cent of the market, while former French colonies and small EC producers like the Canary Islands supply a further 26 per cent. Dollar bananas account for the remaining 56 per cent.

Dispute inside the EC arises from rules being set by the General Agreement on Tariffs and Trade, which would require all farm products to be subject to import tariffs. These would then be reduced during the next six years.

The community has not set a tariff for the so-called "dollar bananas". Instead, it limits their entry by means of quotas. The European Commission – like the Council of Ministers (of the 12) – is divided between those who want a temporary exemption from the Gatt rules, and those who want to set a very high tariff on dollar bananas.

Dame Eugenia Charles, prime minister of Dominica in the Windward Islands in the Caribbean – where 70 per cent of export earnings come from bananas – spoke for many Caribbean suppliers when she predicted during a recent visit to Brussels and London that tariffication would "never by itself be able to protect our banana industry: it would mean the end of the industry in our part of the world.

"If we lost the industry completely, we would lose the country," she warned: "It would be the beginning of despair."

She may have been comforted by Mr Gummer's assurance last week that he "has pressed the importance of a settlement under the General Agreement on Tariffs and Trade in conformity with our continuing commitment to the Windward Islands and Jamaica."

These assurances did not rule out the possibility of tariffs, however. It is still possible that compromise will be found in a longer period of tariff protection than six years, and substantial funds to aid diversification into other products. There have been informal signals from the Gatt that a compromise that was technically outside Gatt rules would not jeopardise the Uruguay Round proposals.

Bananas and the European Single Market. The International Coalition for Development Action. World Development Movement, 25 Beehive Place, London SW9 7QR.

Sugar prices forecast to remain in narrow range

By David Blackwell

WORLD SUGAR prices are set to remain locked in the "desperately narrow" 1.5 cents a lb trading range of the last 12 months, according to the latest sugar report from E.D. & F. Man, the London trade house.

The resistance to movement in spite of a volatile trading environment is due to fear of uncertainty at a time of revolutionary change in the eastern European and Cuban markets, Man suggests. It also coincides with "an unprecedented convergence of views about the overall supply and demand balance".

While uncertainty surrounds crop prospects in both Cuba, the biggest exporter, and the CIS, the biggest importer, the convergence can be explained by favourable growing conditions in many exporting countries. Output in Brazil, Thailand and India in the year to the end of last month has exceeded the previous year by 24, 30 and 8 per cent respectively. "The full impact of these potentially bumper crops has not as yet been felt on the market," says Man.

EC wants tougher fishing punishments

By Andrew Hill in Brussels

EUROPEAN COMMUNITY member states are hampering the community's fisheries inspectors and limiting their efficiency with bureaucratic rules, according to the European Commission.

In a report published yesterday on surveillance of the EC's common fisheries policy, the commission called for the powers of EC inspectors to be strengthened and punishments for overfishing and other breaches of the CFP to be tougher.

"Surveillance is supposed to happen on a co-operative basis, but in practice the [community] inspectors are seen as intruders," said a commission official yesterday.

The commission will produce formal legislation to improve CFP surveillance later this year, and will also propose minimum community sanctions for fishing vessels which break EC rules.

Brussels believes improved surveillance and control of fishing are essential if planned reforms of the CFP are to be successful.

The report itself does not single out individual countries for criticism but the problems are thought to be worst in the North Sea where stocks are at their lowest.

Commission officials say they do not want to interfere with surveillance which can best be carried out at national level, but the commission does want national authorities to improve the transparency of their own administrative procedures.

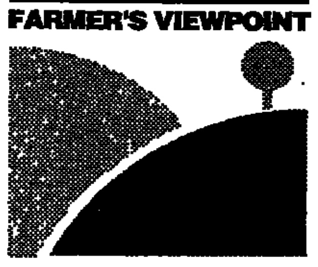
According to officials, member states' attitude to EC surveillance has improved significantly in recent years as the need for changes in traditional fishing policy has become obvious.

But surveillance has not kept pace with technological developments in the practice of fishing. A comprehensive community register of fishing vessels was only set up last year, and the commission would like to improve the monitoring of fishing fleets by computer and satellite.

Van Niekerk's Cape crusade to rescue farmers

The South African agriculture minister is trying everything to minimise bankruptcies

FARMER'S VIEWPOINT



By David Richardson

LAST FRIDAY was the day of the annual agricultural show at Prieska in the northern part of South Africa's Cape Province. A few score farmers and their families from a radius of a about 100 km (62 miles) had gathered to wander around about a dozen trade and craft stands, have a braai (barbecue) lunch and to see which of them would be awarded the prize for the best Fat-Tailed Persian sheep. The temperature was in the mid-40s centigrade (about 120 deg F).

This is virtually desert country where a farmer needs several thousand hectares and a drought- and heat-resistant breed of sheep to make a reasonable living. It lies between the Great Karoo in the south and the Kalahari in the north and the town owes its existence and past wealth to the mining of blue asbestos and copper from the nearby hills.

Now the copper mine is worked out and the lung disease asbestosis has killed the demand for the asbestos the area once produced. Today Prieska relies almost entirely on agriculture and in both prosperity and population it is only half the town it once was.

But the mood at the show was jovial and relaxed. The quality of the sheep entered for the competition was excellent, the food was good and the local MP was among the small crowd. They know him well; for not only is he a neighbouring farmer (his farm is just 170 km away by dirt road and that qualifies as "neighbour" in this vast hot countryside) but he is also South Africa's minister of agriculture.

Mr Kraai van Niekerk would probably have attended the show as a farmer in any case but last week he was campaigning for today's referendum on continued political reform in South Africa, and Prieska is the centre of his constituency. He had delivered a speech at another town that morning; now he was pressing the flesh of his fellow farmers before addressing a house meeting in the late afternoon and another in the local town hall in the evening. In the sweltering heat it was a punishing schedule.

If the voters reject continued reform Mr van Niekerk, along with the rest of the cabinet, will begin preparations to resign. But if the majority of South Africa's white electorate votes against calls by the Conservative Party and the AWB for a return to old ways, the minister will be able to return to other pressing problems in his department.

Chief among these is the extended drought which has affected a significant proportion of the Republic. Indeed, I had expected that the arid area in which the minister's own farm is situated would be suffering most. But I was wrong.

When I went with him to his 13,000-hectare holding, which has an annual rainfall of just 6 inches and where temperatures in the high 30s and low 40s centigrade are normal throughout the long summer, he explained that the secret of success on such dry bush veldt was to restrict stocking rates (he runs only one Merino wool sheep per 10 hectares) and to conserve what little moisture was available.

This meant moving each 300-head flock on a regular basis from one 100-hectare camp (pasture) to another so as not to destroy the indigenous grasses and bushes sprouting from the sandy, rocky terrain and which, incredibly to my unaccustomed eye, sustained the animals in good condition. He talked with enthusiasm and detailed knowledge about the balance of nature. And he claimed that it was not farmers like him, who were used to managing in dry weather, who were in financial trouble.

It is, in fact, the arable farmers further east who are suffering most, as I had seen and heard for myself a few days earlier, and Mr van Niekerk has already set up committees of bankers, extension officers and local farmers' representatives, to try to find ways to avoid many of them going bankrupt. Aid schemes are being worked out, wherever possible, to write off some debt and to re-schedule the rest, often at subsidised interest rates. But in many cases the financial position is such that the farmer is beyond help.

Critics of the rescue attempts allege that most of the farmers who are in trouble are financially illiterate and that they are reaping the results of unbridled expenditure and expansion in the boom years of the 1970s and 1980s. Mr van Niekerk concedes that such suggestions contain an element of truth But the drought is also an established fact and there are socio-economic as well as agricultural reasons why as many farmers as possible should be saved.

To allow vast numbers of farms to go out of business at a time when there is little enthusiasm, even among successful farmers for expansion, would put tens of thousands of black farm labourers out of work. Since the repeal of the Group Areas Act two years ago there has already been enormous growth in the squatter camps around big towns. Hordes of unemployed farm workers would add to an already serious problem.

There is also the immediate problem of ensuring the availability of sufficient food. South Africa consumes between 6m and 7m tonnes of maize each year. Production from this year's drought stricken crops is forecast at less than 3m tonnes. In addition, the republic has long term commitments to supply maize to other southern African countries.

It appears likely, therefore, that it will be necessary for South Africa to import up to 5m tonnes of maize during the coming months. Some commentators have suggested that the port facilities are inadequate to handle such volumes within the time available but Mr van Niekerk assured me that his department had done the calculations and confirmed that they can and that imports have already begun to arrive. He also denied that there was any possibility of rationing over coming months.

Some of his optimism was based, however, on the possibility that South African-grown wheat could be substituted for maize when it was harvested in November. But back in the Orange Free State, last week, farmers were worrying about the continued absence of any rain to provide moisture to germinate wheat seeds when they were due to be planted in a few weeks time. Theirs is a summer rainfall area and that season is almost over. If they get no rain, there will be no point sowing the seed and they will have no crops to harvest next November.

As the minister said, that is a long way ahead and there will be time to make arrangements to deal with that problem should it occur. But in the meantime there is little doubt that the drought, the cost of aid to farmers and the planned expenditure on food imports will have figured in the South African budget calculations due to be announced tomorrow. Whichever way you look at it this is a crucial time for South Africa.

WORLD COMMODITIES PRICES

MARKET REPORT

Several base metals were testing support levels at the end of a quiet day on the LME. Traders pointed to the continued lack of fundamental news dampening recent bullish sentiment. COPPER ignored the strike by Peruvian copper workers and three-month metal continued to edge into the support area between $2,220 and $2,225 a tonne from which the market bounced last week. Three-month ALUMINIUM, having failed to break up through resistance in the $1,315 to $1,320 band last week, eased throughout the day under liquidation and light sell stops. Traders now see a test of the $1,280 to $1,285 support level. Three-month ZINC, attempting to consolidate last week's sharp gains, was aided by developing support which absorbed liquidation on any dip to $1,230 a tonne. Traders said if the consolidation is successful then a rise to test resistance around $1,260 is possible near term. London's robusta COFFEE lost morning gains by the close as New York failed to gather enough support to break through the 74.50 cents resistance level in near May, traders said. The New York arabica market was awaiting news of a meeting between Central American producers and US trade officials on renewed export quotas.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.55-5.65z	+.025
Brent Blend (dated)	$17.65-7.75z	-.050
Brent Blend (May)	$17.80-7.90	-.025
W.T.I. (1 pm est)	$19.20-9.25z	+.025
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$196-199	+5
Gas Oil	$162-163	+1
Heavy Fuel Oil	$76-78	+2
Naphtha	$173-174	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$343.20	-3.80
Silver (per troy oz)♣	409.0c	-2.0
Platinum (per troy oz)	$359.25	+0.25
Palladium (per troy oz)	$84.25	-0.3
Copper (US Producer)	104.3c	+0.06
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.06r	-0.02
Tin (New York)	261.0c	-0.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.97p	-0.57*
Sheep (live weight)†♣	101.26p	+0.26*
Pigs (live weight)†	97.88p	+2.23
London daily sugar (raw)	$211.3v	-0.6
London daily sugar (white)	$270.0v	-0.5
Tate and Lyle export price	£231.0	-0.5
Barley (English feed)	£121.5	
Maize (US No 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	53.75p	-0.5
Rubber (May)♥	54.00p	-0.5
Rubber (KL RSS No 1 Mar)	211.0m	+0.5
Coconut oil (Philippines)§	$657.5v	
Palm Oil (Malaysian)§	$405.0	+5
Copra (Philippines)§	$445.0w	-7.50
Soyabeans (US)	£158.0q	+0.5
Cotton "A" index	54.90c	
Woolltops (64s Super)	469p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar. t-Jun/Jul. u-Jan/Mar. v-Apr/May. w-Feb/Mar. x-Apr. z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices

SUGAR - London FOX ($ per tonne)			
Raw	Close	Previous	High/Low
May	188.50	184.80	188.60 183.80
Aug	188.00	186.40	187.60 187.00
Oct	190.00	189.40	189.00 188.80
White	Close	Previous	High/Low
May	268.40	266.0	267.70 265.80
Aug	270.00	268.0	269.50 268.00
Oct	262.50	260.5	261.30 260.10
Dec	263.40		263.80
Mar	265.40		

Turnover: Raw 224 (87) lots of 50 tonnes. White 772 (584)
Paris- White (FFr per tonne): May 1513.19 Aug 1542.40

CRUDE OIL - IPE			$/barrel
	Close	Previous	High/Low
Apr	17.82	17.87	17.84 17.79
May	17.92	17.96	18.00 17.83
Jun	17.92	18.02	18.06 17.90
Jul	17.90	17.98	18.04 17.89
Aug	17.91	18.01	17.82 17.90
Sep	17.93	18.10	18.00 17.90
Oct	17.96	18.12	17.98 17.90
IPE Index	17.83	17.47	

Turnover 23320 (31368)

GAS OIL - IPE			$/tonne
	Close	Previous	High/Low
Apr	161.50	161.50	163.50 161.25
May	163.25	163.00	164.50 163.25
Jun	165.00	164.50	166.00 165.00
Jul	167.00	166.25	167.75 166.75
Aug	168.75	168.25	169.50 168.75
Sep	170.50	170.25	171.50 170.75
Oct	172.50	172.00	172.75 172.25
Nov	173.50	173.00	174.50

Turnover 8024 (9577) lots of 100 tonnes

COCOA - London FOX			£/tonne
	Close	Previous	High/Low
Mar	673	676	675 671
May	701	705	704 699
Jul	728	729	728 725
Sep	748	750	748 745
Dec	763	765	764 760
Mar	795	798	792 792
May	802	807	806 804

Turnover: 1580 (3157) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar.13 823.21 (819.47) 10 day average for Mar.16 832.59 (835.64)

COFFEE - London FOX			$/tonne
	Close	Previous	High/Low
Mar	825	829	847 826
May	845	845	869 843
Jul	864	865	887 864
Sep	884	886	904 884
Nov	907	906	910 909

Turnover:2427 (4361) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar.13 Comp. daily 57.24 (57.44) 15 day average 55.26 (55.09)
Sterling close: March £484

POTATOES - London FOX			£/tonne
	Close	Previous	High/Low
Apr	114.5	113.0	114.8 112.5
May	134.0	132.5	134.0 132.5
Apr	128.0	128.0	127.8 127.0

Turnover 141 (381) lots of 20 tonnes.

SOYABEAL - London FOX			£/tonne
	Close	Previous	High/Low
Jun	125.50	125.50	125.50 125.50
Oct	130.50		130.50 130.50

Turnover 26 (11) lots of 20 tonnes.

FREIGHT - London FOX			$10/index point
	Close	Previous	High/Low
Mar	1223	1232	1226 1223
Apr	1263	1279	1265 1260
May	1245	1245	1245 1235
Jul	1115	1110	1115 1107
Oct	1253	1252	1253 1250
Jan	1265	1265	1265
BFI	1220	1228	

Turnover 169 (389)

GRAINS - London FOX			£/tonne
Wheat	Close	Previous	High/Low
Mar	127.30	127.15	127.30 127.15
May	113.30	112.90	113.30 113.00
Nov	118.45	118.15	118.45 118.40
Jan	120.30		120.30 120.20
Barley	Close	Previous	High/Low
May	117.15	117.00	117.15

Turnover: Wheat 70 (251), Barley 0 (0).
Turnover lots of 100 Tonnes.

PIGS - London FOX (Cash Settlement)			p/kg
	Close	Previous	High/Low
Apr	121.0	121.0	121.0 120.8
Jun	117.0	116.5	116.8 116.7
Jul	112.0	111.0	111.3 110.8
Sep	110.5	110.0	110.5 110.3

Turnover:15 (130) lots of 3,250 kg

TEA

There were 19,586 packages for the day, reports the Tea Brokers Association. There was strong and widespread demand. Bright liquoring East Africans sold at firm rates while good mediums were a strong feature and 3 to 5p dearer, while other descriptions showed little change. Offshore: there was good general demand with brighter liquoring teas firm to dearer, but plainer Central Africans tending easier. The highest price realised this week was 169p for a Rwanda pd. Quotations: landed quality 150p, non landed, good medium 112p, medium 92p, low medium 80p

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 59,278 lots
Cash	1266-8	1282-3	1273	1272-3		
3 months	1291-2	1305-7	1308/1288	1299-300	1288-9	184,087 lots
Copper, Grade A (£ per tonne)						Total daily turnover 34,940 lots
Cash	1290-2	1300-1	1295/1292	1293-2.5		
3 months	1318-9	1324-5	1321.5/1316	1319.5-20	1318.5-17	114,238 lots
Lead (£ per tonne)						Total daily turnover 1,157 lots
Cash	299-6.5	297.5-8	298.5	296.5-7		
3 months	310.5-0.75	308.5-9	311/308	307.5-8	310-2	15,838 lots
Nickel ($ per tonne)						Total daily turnover 6,088 lots
Cash	7425-30	7440-50	7440	7440-5		
3 months	7511-13	7525-30	7600/7505	7525-30	7515-8	22,674 lots
Tin ($ per tonne)						Total daily turnover 3,740 lots
Cash	5590-600	5605-15		5600-10		
3 months	5630-40	5645-55	5660/5640	5640-3	5645-50	5,693 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 21,302 lots
Cash	1221-2	1230.5-1.5	1222/1221.5	1221.5-2		
3 months	1229-30	1237-8	1235/1229	1230-0.5	1230-1	50,475 lots

LME Closing £/$ rate:
SPOT: 1.7154 3 months: 1.6894 6 months: 1.6651 9 months: 1.6481

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	343.00-343.40	
Opening	347.20-347.70	
Morning fix	346.75	202.281
Afternoon fix	343.00	199.802
Day's high	347.40-347.80	
Day's low	342.80-343.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.73	6 months	3.81
2 months	3.73	12 months	3.94
3 months	3.73		

Silver fix	p/troy oz	US cts equiv
Spot	238.65	410.65
3 months	245.45	414.85
6 months	252.35	419.80
12 months	264.90	431.25

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	343.25-344.25	199.75-200.25
Maple leaf	354.00-356.00	206.00-207.00
New Sovereign	84.00-85.00	48.00-49.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1300	109	126	8	15
1350	42	63	40	49
1400	11	25	108	110
Copper (Grade A)	Calls		Puts	
2150	83	102	8	22
2250	30	45	46	64
2350	8	15	120	132
Coffee	May	Jul	May	Jul
900	48	60	5	15
950	18	49	21	35
1000	5	8	61	64
Cocoa	May	Jul	May	Jul
675	18	8	20	26
700	9	33	36	32
725	4	24	56	48
Brent Crude	May	Jun	May	Jun
1750	66		25	46
1800	38	66	42	70
1850	20	60		

New York

GOLD 100 troy oz.; $/troy oz.			
	Close	Previous	High/Low
Mar	343.3	348.7	0 0
Apr	343.9	347.3	346.0 342.1
May	344.6	348.0	344.0 346.0
Jun	346.0	348.4	346.6 344.3
Aug	348.0	350.8	348.5 346.0
Oct	350.8	354.2	351.5 349.1
Dec	353.5	356.9	355.0 351.9
Feb	356.1	359.5	0 0
Apr	358.8	362.3	361.0 357.7

PLATINUM 50 troy oz; $/troy oz.			
	Close	Previous	High/Low
Mar	358.5	356.1	357.0 357.0
Apr	359.5	361.0	361.0 356.0
Jul	359.6	360.0	360.0 358.5
Oct	360.6	362.0	362.5 360.5
Jan	362.0	362.0	361.0 360.0

SILVER 5,000 troy oz; cents/troy oz.			
	Close	Previous	High/Low
Mar	408.2	409.8	408.0 406.0
Apr	407.2	411.0	0 0
May	409.7	412.5	411.5 408.0
Jul	413.0	415.4	414.5 410.0
Sep	416.9	419.7	418.0 416.5
Dec	421.8	425.6	424.0 421.0
Jan	422.8	426.5	0 0
Mar	426.2	430.0	0 0
May	430.0	433.4	0 0
Jul	433.8	441.8	0 0

HIGH GRADE COPPER 25,000 lbs; cents/lbs			
	Close	Previous	High/Low
Mar	101.10	101.15	101.10 100.70
Apr	101.00	101.20	100.80 100.80
May	100.90	101.10	101.00 100.60
Jun	100.75	100.80	0 0
Jul	100.60	100.70	100.65 100.25
Aug	100.50	100.50	100.20 100.20
Sep	100.35	100.25	100.10 99.80
Oct	100.25	100.15	0 0
Nov	100.15	100.05	0 0
Dec	100.00	99.85	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs			
	Close	Previous	High/Low
May	8.43	8.51	8.44 8.37
Jul	8.50	8.58	8.50 8.45
Oct	8.55	8.48	8.59 8.45
Mar	8.68	8.75	8.71 8.60
May	8.71	8.68	8.71 8.71
Jul	8.76	8.75	0 0

CRUDE OIL (Light) 42,000 US galls $/barrel			
	Close	Previous	High/Low
Apr	19.15	19.18	19.24 19.02
May	19.28	19.35	19.43 19.20
Jun	19.37	19.45	19.51 19.30
Jul	19.39	19.46	19.52 19.34
Aug	19.38	19.45	19.49 19.32
Sep	19.38	19.42	19.45 19.29
Oct	19.31	19.40	19.42 19.27
Nov	19.29	19.38	19.39 19.26
Dec	19.28	19.36	19.35 19.27
Jan	19.23	19.31	19.30 19.25

HEATING OIL 42,000 US galls, cents/US galls			
	Close	Previous	High/Low
Apr	5365	5336	5390 5325
May	5320	5305	5350 5280
Jun	5290	5283	5320 5260
Jul	5310	5305	5335 5280
Aug	5370	5370	5390 5345
Sep	5460	5485	5525 5455
Oct	5590	5600	5620 5560
Nov	5690	5720	5720 5700
Dec	5785	5795	5815 5795
Jan	5815	5835	5860 5830

COCOA 10 tonnes;$/tonnes			
	Close	Previous	High/Low
Mar	1021	1030	0 0
May	1061	1057	1066 1051
Jul	1089	1093	1106 1089
Sep	1136	1135	1141 1124
Dec	1180	1173	1181 1168
Mar	1220	1213	0 0
May	1246	1241	0 0
Jul	1277	1271	0 0
Sep	1303	1304	0 0
Dec	1338	1339	0 0

COFFEE "C" 37,500lbs; cents/lbs			
	Close	Previous	High/Low
Mar	72.85	73.50	74.50 72.25
May	73.40	73.80	74.50 72.75
Jul	75.15	75.85	76.50 74.50
Sep	77.45	78.20	78.75 77.20
Dec	81.10	81.85	82.60 80.90
Mar	83.75	84.60	84.70 84.40
May	86.00	86.00	0 0
Jul	81.75	82.75	0 0

COTTON 50,000; cents/lbs			
	Close	Previous	High/Low
Mar	55.36	54.28	55.50 54.25
May	56.86	56.65	56.85 55.75
Jul	58.30	58.57	58.30 56.50
Oct	60.20	60.17	60.00 59.20
Dec	61.30	61.20	61.50 60.65
Mar	61.85	61.10	61.60 61.45
May	62.40	61.60	62.10 62.10

ORANGE JUICE 15,000 lbs; cents/lbs			
	Close	Previous	High/Low
Mar	144.20	145.20	144.00 143.00
May	144.50	143.90	144.70 142.90
Jul	141.90	141.20	141.90 140.00
Sep	134.00	133.65	134.00 133.00
Nov	125.55	125.20	126.00 125.25
Jan	124.60	124.50	124.50 124.00
Mar	124.75	124.73	124.75 124.00
May	124.75	124.35	0 0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Mar.16	Mar. 13	mnth ago	yr ago
1823.1	1821.8	1864.81	1717.1

DOW JONES (Base: Dec. 31 1974 = 100)				
	Mar.13	Mar.12	mnth ago	yr ago
Spot	118.11	118.09	119.24	125.63
Futures	122.27	122.04	121.98	129.43

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel			
	Close	Previous	High/Low
Mar	585/6	586/6	589/4 583/4
May	592/4	594/0	596/6 590/4
Jul	602/2	604/0	606/6 600/4
Aug	605/6	606/0	610/4 604/4
Sep	608/4	611/4	613/0 607/4
Nov	618/4	620/0	621/0 614/2
Jan	624/4	626/4	629/0 623/0
Mar	634/4	636/4	637/0 631/4

SOYABEAN OIL 60,000 lbs; cents/lb			
	Close	Previous	High/Low
Mar	20.54	20.67	20.80 20.50
May	20.73	21.06	21.00 20.72
Jul	21.03	21.37	21.29 21.00
Aug	21.19	21.53	21.45 21.18
Sep	21.33	21.65	21.65 21.33
Oct	21.47	21.78	21.82 21.47
Dec	21.76	22.10	22.05 21.77
Jan	21.80	22.10	0 0

SOYABEAN MEAL 100 tons; $/ton			
	Close	Previous	High/Low
Mar	173.3	175.0	175.7 174.1
May	176.8	178.6	177.3 175.7
Jul	178.2	179.5	180.0 178.0
Aug	180.1	180.3	180.8 178.5
Sep	181.4	181.4	181.9 180.2
Oct	183.0	182.7	183.0 181.5
Dec	185.2	185.8	186.2 184.2
Jan	187.2	187.1	188.0 186.5
Mar	190.6	189.7	190.8 189.2

MAIZE 5,000 bu min; cents/56lb bushel			
	Close	Previous	High/Low
Mar	261/6	264/2	264/4 261/4
May	269/2	271/4	272/0 269/0
Jul	274/6	276/4	277/0 274/4
Sep	269/6	269/2	270/4 268/2
Dec	264/6	264/6	265/6 263/2
Mar	271/0	271/4	272/4 270/4
May	274/6	275/2	276/2 274/4

WHEAT 5,000 bu min; cents/60lb-bushel			
	Close	Previous	High/Low
Mar	390/0	393/0	395/2 390/4
May	384/0	385/0	387/4 381/4
Jul	371/2	369/6	373/2 365/2
Sep	376/2	373/4	376/4 371/0
Dec	384/0	383/0	385/4 377/0
Mar	380/0	385/0	387/0 380/0

LIVE CATTLE 40,000 lbs; cents/lbs			
	Close	Previous	High/Low
Apr	78.675	78.250	78.700 78.250
Jun	74.150	74.075	74.325 73.800
Aug	70.550	70.175	70.600 70.050
Oct	69.850	69.850	69.800 69.750
Dec	70.000	70.175	70.150 69.800
Feb	69.275	69.275	69.500 69.275
Apr	70.150	70.200	70.360 70.150

LIVE HOGS 40,000 lb; cents/lbs			
	Close	Previous	High/Low
Apr	40.625	40.600	40.875 40.100
Jun	46.250	46.175	46.500 45.800
Jul	45.725	45.825	45.900 45.350
Aug	44.075	43.900	43.750 43.350
Oct	41.200	41.200	41.350 40.950
Dec	42.250	42.200	42.300 42.050
Feb	45.425	45.200	45.425 45.050
Apr	43.150	43.100	0 0

PORK BELLIES 40,000 lbs; cents/lb			
	Close	Previous	High/Low
Mar	35.375	34.600	35.375 34.400
May	36.375	35.775	36.450 35.350
Jul	37.050	36.600	37.200 36.250
Aug	36.200	35.950	36.200 35.425
Feb	48.000	48.000	48.000 48.000
Mar	47.900	47.025	47.025 0
May	50.000	50.000	0 0

LONDON STOCK EXCHANGE

Shares unable to sustain early rally

By Terry Byland, UK Stock Market Editor

THE UK stock market tried hard to rally yesterday after the weekend round of public opinions polls proved less negative towards the Conservative government than Friday afternoon's rumours had suggested. But lack of genuine investment interest left share prices again vulnerable to developments in stock index futures, and the FT-SE shed a further five points in its fourth downward session since Budget Day.

International factors were largely brushed aside by London traders, whose attention is now fixed on the UK general election to be held early next month. The stock market, which now fears a "hung" parliament, made little immediate response yesterday to the first reports of the shadow Budget from the Labour opposition party.

Account Dealing Dates		
*First Dealings:		
Mar 9	Mar 23	Apr 6
Option Declarations:		
Mar 19	Apr 2	Apr 23
Last Dealings:		
Mar 20	Apr 3	Apr 24
Account Day:		
Mar 30	Apr 13	May 5

*New-time dealings may take place from 8.30 am two business days earlier.

The fall of 619 points in the Nikkei Average, bringing the Japanese stock market to a five year low, made little immediate impact in London, although some optimists suggested that increased pressure for a cut in Japanese discount rate might enhance the chances of a reduction in UK base rates before election day. However, neither sterling nor London money rates gave much encouragement to any lingering base rate optimism.

The stock market this week faces important economic data on the UK economy which could have significant impact on the the voting intentions of the UK electorate. These will in turn be scrutinised by the opinion pollsters.

Publication of important opinion polls is expected today and tomorrow while on Thursday, two opinion poll results will coincide with the latest UK unemployment statistics, to be followed on Friday by the retail price index (rpi) for February. A satisfactory rpi number could offer the final opportunity for a pre-election base rate cut.

Against this backcloth, the investment institutions were inclined to stay on the sidelines. One leading dealer commented that, while unwilling to buy, fund managers are afraid to sell because they fear that they will be unable to "buy the stock back again if the market takes off after the election."

While most marketmaking firms kept trading books level ahead of the Budget, some erred on the bullish tack and have suffered losses as they have tried to re-position themselves through the stock index futures.

Share prices opened higher on relief that the opinion polls had proved less alarming than feared on Friday, but the early gain of 8.9 on the Footsie was quickly reversed when the futures market opened. The March contract moved to a discount, and the underlying blue chip stocks were marked down, often in minimal trading.

At the day's low point, the Footsie was down 18.3 at 2,457.7, leaving the 2,450 mark unchallenged. As the March future steadied and Wall Street came in with a gain of 15 points on the Dow in UK hours, the London market rallied in listless trading.

At the close, the FT-SE Index was a net 5.3 down on the day at 2,470.7. Seaq volume fell to 363.5m shares from the 555.7m in the previous session; retail or customer volume remained high last week, and was worth just over £1bn on Friday.

Oil shares provided one of the few firm sectors among the internationals. UK retail and consumer stocks lacked support, reflecting the fading of base rate hopes.

FINANCIAL TIMES STOCK INDICES

	Mar 16	Mar 13	Mar 12	Mar 11	Mar 10	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	86.13	86.36	86.74	86.87	87.42	84.46	88.66 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	99.82	99.83	99.89	100.19	100.75	93.23	101.56 (19/2/92)	90.58 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1930.9	1935.8	1948.6	1966.6	2006.6	1998.5	2108.3 (2/9/91)	1605.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	118.3	123.9	127.1	126.9	126.5	145.8	222.8 (11/7/91)	118.3 (16/3/92)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2470.7	2476.0	2493.3	2522.4	2574.8	2500.6	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1161.33	1168.59	1159.10	1163.98	1198.06	1141.31	1200.09 (4/3/92)	938.62 (16/1/91)	1200.09 (4/3/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.84	4.64	4.61	4.56	4.46	4.87				
●Earning Yld %(full)	6.61	6.58	6.54	6.48	6.36	6.62				
●P/E Ratio(net)(*)	19.17	19.24	19.36	19.55	19.87	13.95				
SEAQ Bargains 5.00pm	28,511	27,573	28,988	29,338	28,289	47,709				
Equity Turnover(£m)†	-	1028.6	1049.6	1085.6	853.9	1440.07				
Equity Bargains†	-	30,795	32,507	33,357	30,842	49,455				
Shares Traded (ml)†	-	474.1	420.8	468.1	378.5	660.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. [illegible]

Ordinary Share Index, Hourly changes — Day's High 1943.4 — Day's Low 1922.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1942.9	1931.7	1929.5	1934.3	1930.7	1931.2	1931.0	1932.3	1931.6

FT-SE 100, Hourly changes — Day's High 2484.9 — Day's Low 2457.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2483.9	2470.2	2467.5	2474.2	2468.7	2468.9	2469.1	2470.4	2470.2

FT-SE Eurotrack 200, Hourly changes — Day's High 1163.96 — Day's Low 1160.56

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1160.36	1161.21	1162.97	1161.17	1161.60	1161.40	1161.89

GILT EDGED ACTIVITY

Indices*	Mar 13	Mar 12
Gilt Edged Bargains	95.9	123.0
5 – Day average	108.3	109.6

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Nervous day for Glaxo

TRADING in Glaxo was nervous, with early strength eroded by expectations of bearish developments ahead of a briefing by French government health officials. The officials were concerned with the pre-launch promotion in France of Glaxo's migraine drug, Imigran, seen as a potential blockbuster, but yet to gain approval there.

It had been feared that the French officials might make an announcement on Glaxo's drug pricing policies. Two weeks ago, the UK pharmaceuticals group was challenged over its European drug pricing strategy by the Danish Office of Fair Trading which made a complaint to the European Commission.

Observers said the combination of an EC inquiry and a goverment complaint against a drug still in such early stages of a launch was unheard of. The shares were off 9 at one stage and closed a net 3 down at 783p.

Lonrho down again

Reports that Lonrho, the international conglomerate, has attracted institutional criticism of its management methods, together with confirmation that the group's stockbroker, UBS Phillips & Drew, has reduced its current-year profits forecast, triggered yet another slide in the shares.

Dealers said the market was worried that Lonrho might lose its place in the FT-SE 100-share index. At the close of business yesterday, the stock had dropped another 10 to 85p, the lowest level since 1985.

Last week Lonrho stock ran into heavy selling as markets reacted to news that Moody's, the US debt rating agency, had lowered the credit rating on $360m-worth of Lonrho Eurobonds.

Moody's rating shift accompanied hints of the UBS downgrading and suggestions of bearish comments from other broking houses.

Setback for WPP

Advertising group WPP dropped 15 to 80p after reporting a steep fall in profits and stating that it was continuing talks with its banks about refinancing. Analysts had forecast profits of £43m to £50m, and WPP managed £56.1m. However, that figure was boosted by a £17.7m exceptional item, a release of provisions.

A number of securities houses were last night adjusting profits forecasts for the company. BZW, already at the bottom of the analysts' range, cut back its 1992 estimate by a further £10m to £47m after talking to the company. James Capel lowered its estimate by £19m to £42m, with the agency broker feeling that "they were terrible figures and it is really not looking good for this year".

Fears that events in the Gulf might take a turn for the worse, and even culminate in military action against Iraqi weapons installations, attracted a burst of domestic and overseas buying of oil shares.

Dealers said there was evidence of further big switching activity between BP and Shell, as well as between Shell and Royal Dutch.

The switching business, out of BP and into Shell, still left BP 3¼ ahead at 266½p on 7.5m, while Shell settled 4 better at 450p on 2.9m.

A note published by BZW was said to have been responsible for boosting Enterprise Oil, which settled 9 firmer at 371p. The BZW oil team, comparing Enterprise with Lasmo, said Lasmo's acquisition of Ultramar had placed it alongside Enterprise and Oryx with reserves in the region of 1bn barrels of oil equivalents.

BZW said the acquisition has created severe short-term problems and rated Lasmo shares a sell. But BZW is bullish on Enterprise, saying: "The company's potential for dividend growth makes it a buy." BZW said it saw fair value for Enterprise as 430p to 500p a share and fair value for Lasmo as 130p to 180p.

The utilities areas of the market showed further signs of extreme nervousness, in spite of the more reassuring opinion polls that appeared over the weekend. In the electricity stocks, Eastern declined 6 to 231p and East Midland 7 to 241p, while the Electricity Package lost 38 to £2600.

Northern based brewer Scottish & Newcastle slipped 15 to 443p on news that the Department of Trade and Industry has cleared its deal to take over wholesale distribution of Whitbread products to free houses in Scotland. S & N will acquire 215 accounts in Scotland, taking on loans to more than 100. Whitbread "A" gained 2 to 424p.

Allied-Lyons put on 4 to 623p, awaiting the Monopolies and Mergers Commission ruling on its planned brewing venture with Carlsberg. Bass rose 3 to 542p on hopes of an improvement by its Holiday Inn subsidiary.

Guinness continued to suffer from profit-taking ahead of Thursday's figures, which are expected to produce 1991 profits slightly under £1bn. The shares lost 8 to 559p.

Lack of further developments involving the possible take-over of Dalepak knocked 5 off the shares to 379p, while lines of stock on offer pushed Associated British Foods down 5 to 415p. United Biscuits firmed a penny to 408p as Smith New Court described the shares as a safe, rather than dynamic, investment longer term.

Positive market comments boosted Tesco, ahead of the company's results expected early next month. In heavy turnover of 5.3m, the shares rose 4 to 247p. J. Sainsbury was also active but slipped 4 to 378p on turnover of 3.3m after mixed reaction from a series of meetings with brokers that resulted in several analysts downgrading their forecasts.

Political worries and disappointment with last week's Budget weighed on some leading stores, with Dixons falling 6 to 218p. On the other hand, nervousness about the implications of a DIY price war appeared to fade. Kingfisher lost only a penny to 483p and W.H. Smith "A" 2 to 454p.

Lloyds Chemists was a firm spot, climbing 3 to 343p on hopes of a successful acquisition of Macarthy, to reinforce the company's earnings potential following recent well received interim figures.

Interest in the property sector on Friday proved short-lived as investors steered clear of the shares, sentiment being affected by declining hopes of a cut in domestic interest rates. However, MEPC continued to benefit from Friday's buy recommendation from Smith New Court, edging up 2 to 332p.

Slough Estates, which stood at 240p two months ago, may have found a floor after its recent dramatic decline, the shares improving 2 to 178p.

Hotel group Forte's recent good run held out in the wake of broker UBS Phillips & Drew turning a buyer of the shares on Friday. The stock gained 3 to 232p in volume of 1.4m.

With under a month to the opening of its Paris theme park, Euro Disney was again the subject of profit-taking after its recent surge which followed news that it is to join the CAC 40 index in Paris. The shares relinquished 17 to 1638p.

There was further weakness in Thorn-EMI, which lost 6 to 762p in thin trading. Some in the market believe that the initial positive reception for its Virgin Music purchase has now receded in the knowledge that the benefits to the group will be strictly long term.

Speciality chemicals group MTM was erratic as more news emerged from the company. However, early selling was seen as overdone and the stock shot up to end 14 higher on the day at 84p.

Laporte shed 12 to 579p ahead of Solvay's placing of 9 per cent of Laporte's shares and on recent negative comments from analysts. Solvay is placing the shares to finance the disposal of Interox, the Belgian group's joint venture with Laporte, and will cancel 16 per cent of Laporte's shares as part of the deal.

Medeva, which said it was buying the rights to two Hepatitis B products from Epitec and GA Investments for SFr24m, put on 9 to 278p.

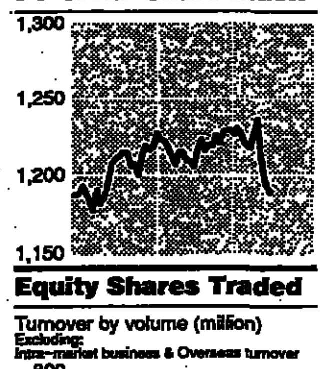
Engineering group Renold jumped 9½ to 55½p after announcing that TT Group, the industrial holding company, had acquired a 2.9 per cent stake.

Auction house Christies International was down 12 at 115p after announcing a dividend cut with its 1991 results.

MARKET REPORTERS:
Colin Millham, Peter John, Steve Thompson, Christopher Price.

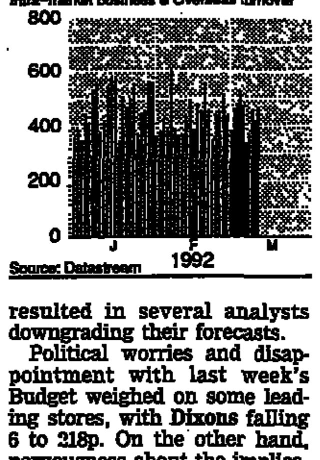
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 26.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

[illegible]

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A NERVOUS futures market fell away in volatile trading as investors acted cautiously in the wake of little concrete news to drive sentiment, writes Christopher Price.

The March contract opened at 2,482 and initially edged higher as a small number of buyers came into the market, squeezing it higher.

However, many traders were keen to unwind their positions in a jittery session and sellers soon moved into the fray compounded by independent traders being caught short. By 9.30am March was down to 2,455.

Support was found from the cash market and a recovery began, March moving up to 2,473 by mid-day. With Wall Street opening weak, however, March came under renewed pressure, and although it held ground most of the afternoon, a late selling spree saw the contract close at 2,462, down 5 on the previous session and at a discount of nearly 11 to its four-point fair value premium to cash. Turnover was 7,319 contracts.

In traded options, nearly half of the 33,000 contracts traded were in the FT-SE 100 or Euro FT-SE. Asda was the top traded equity contract, followed by Barclays - the March 360 puts were particularly in demand - and Glaxo.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

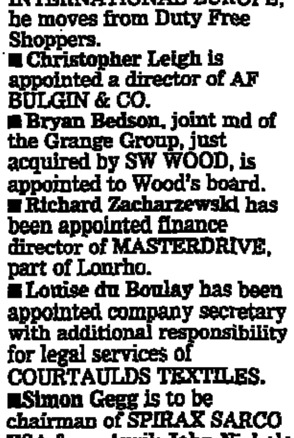
APPOINTMENTS

Poster postings

The poster world is undergoing a shake-up with news of management changes at both More O'Ferrall Adshel and rival Mills and Allen. Richard Dalglish is moving up from joint md of More O'Ferrall Adshel to become sole md, reporting to chairman and chief executive Russell Gore-Andrews.

More O'Ferrall says it is making other management changes to prepare for an expected upturn in the billboard market. Dalglish's colleague Vincent Slevin is leaving his joint md post to become md of a new separate operation within the group, whose aim will be to identify new poster sites in Britain and the Republic of Ireland.

Meanwhile, Mills and Allen have managed to poach Michael Higgins (right) from More O'Ferrall; Higgins will be the new sales director, heading a team of 100 people. He replaces Michael Horner, who has left to pursue new opportunities.



Promotion at Norwich Union

The ascendance of a younger generation of management at Norwich Union, the mutually-owned insurer, was signalled yesterday by the appointment of 38-year-old Philip Scott as general manager (finance). Scott, who will also become group actuary, is currently senior investment manager responsible for global securities. He joined Norwich in 1973, has worked within the group's life and pensions operations and has also had a spell abroad with Norwich's New Zealand subsidiary, the State Insurance Office.

He replaces Hugh Scurfield, who has been with Norwich since 1959; he was appointed general manager and actuary in 1983 and has played a leading role in championing the interests of life policy-holders. He is currently president of the Institute of Actuaries and will coincidentally retire at the end of his term of office. Three new assistant general managers have also been appointed. David Williams takes over responsibility for general insurance, Geoff Loades takes on a new position as assistant general manager (customer services) and Patrick Smith assistant general manager (personal insurances).

Miller flies out

Bill Miller who, with his brother Eric founded Prestwick Holdings, the printed circuit board manufacturer based at Ayr in Scotland, is stepping down from the chairmanship. He is succeeded by Hugh Laughland, a non-executive director of BTR and chairman of Stoddard Sekers, the carpet-makers.

The Miller brothers set up Prestwick in 1969 and Bill Miller was involved in its management until 1990 when, in view of its disappointing performance since flotation in 1985, he brought in Wayne Osman as ceo and became non-executive chairman.

Bill Miller and his wife still own about 13 per cent of Prestwick's shares and overall the Miller family accounts for about 20 per cent of the equity. Miller is to pursue his other interests which include the chairmanship of PIK Ltd, a company set up to run Prestwick airport which BAA is selling.

Prestwick says Laughland, who was formerly joint ceo of BTR's European region, will be useful for his experience of international markets as the company expands.

■ Paul Rhodes has been appointed md of Mills CNC, a subsidiary of HADEN MacLELLAN HOLDINGS.
■ Bob Livingstone has been appointed md of ALLDERS INTERNATIONAL EUROPE; he moves from Duty Free Shoppers.
■ Christopher Leigh is appointed a director of AF BULGIN & CO.
■ Bryan Bedson, joint md of the Grange Group, just acquired by SW WOOD, is appointed to Wood's board.
■ Richard Zacharzewski has been appointed finance director of MASTERDRIVE, part of Lonrho.
■ Louise du Boulay has been appointed company secretary with additional responsibility for legal services of COURTAULDS TEXTILES.
■ Simon Gegg is to be chairman of SPIRAX SARCO USA from April; John Nicholas replaces him as president. Tony Urband is promoted to marketing director of Spirax Sarco in the UK.
■ Brian Bolt is appointed director of financial and information services of ANGLIA TELEVISION.
■ Malcolm Heald has been appointed finance director of JACQUES VERT; he moves from Kingfisher, where he has been finance director of two subsidiaries.
■ Shaun Mahoney, previously a partner with Robson Rhodes, is appointed finance director of SUTCLIFFE SPEAKMAN. Ralph Lowery is appointed sales director; he moves from CPL Miller (Environmental).

[illegible]

Prices are determined for every half-hour [illegible]

NGC Settlements Limited

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		34½xd	—	36⅞	20⅞	14,858	1.9
♥Allegheny & W.		292p	-22	388p	218p	161.7	5.8
Amdahl		1030p	-29	1158p	667p	1,165	0.5
Amer Cyanamid		56	—	62⅛	25⅛	3,307	2.3
Amer Express		12⅞xd	+⅞	17⅞	9⅞	5,850	4.6
Amer T & T		22⅛xd	+¼	24½	15½	29,225	3.3
Ameritech		34½	-½	38⅞	32½	15,105	5.5
BankAmerica		25¼xd	-⅞	26⅞	12⅞	6,489	2.9
Bankers NY		33⅛xd	+⅞	38⅞	20⅞	2,783	6.1
Bell Atlantic		24¼	+¼	30½	24¼	9,733	5.7
BellSouth		28½	—	31⅛	25	12,853	5.9
♥Bethlehem Steel		8xd	+⅞	11¼	6⅞	609.8	—
Bowater		1444pxd	-7	1639p	1042p	918.7	4.7
CPC		49⅞xd	+⅛	54⅞	37⅞	3,770	2.5
California Engy		780p	-1	830p	420p	127.4	—
Campbell Soup	h	21⅞	+¼	25	14⅛	6,467	1.8
Chase Manhattan		13⅛xd	+⅞	14⅞	5⅞	1,862	5.0
Chrysler		9⅞xd	+⅛	19⅛	5⅛	2,849	3.5
Citicorp		9⅞xd	+⅞	18⅛	4⅛	3,349	—
Colgate-Palm		27⅞xd	+⅞	27⅛	21⅞	3,972	2.2
Cont'l Bank		897p	+15	978p	438p	988.4	3.8
Dana		20⅞xd	+⅛	21⅛	13⅛	858.8	4.3
Data General		813p	—	1282p	203p	169.2	—
Dial		29⅞xd	-⅞	29⅛	12⅞	1,153	2.7
Dun & Brad		32⅛	-⅛	32⅞	20⅞	5,777	3.8
Eaton		41¼	+1	41⅞	24¼	1,404	3.0
Echlin		10⅞xd	+⅞	18⅞	5½	581.9	3.9
FPL		19½xd	+⅞	20⅛	14⅞	3,385	6.9
Fluor		23⅞xd	—	30⅞	17⅞	1,911	1.0
Ford Motor		21⅛xd	-⅞	23¼	13	18,118	2.7
Gen Elect		45⅞xd	+⅞	46⅞	28⅞	39,484	2.6
♥General Host		486p	-1	586p	270p	—	4.1
Gillette		28⅞xd	+⅞	45⅞	20⅞	6,163	1.2
Hasbro		22⅛	—	24	7⅞	1,268	0.5
Honeywell		41⅞xd	—	42⅞	21⅞	2,824	2.2
Houston Inds.		24¼	—	24½	17⅞	3,126	6.9
IBM		52⅛xd	+¼	72⅞	46	29,968	5.2
Ingersoll-Rand		35½xd	+⅞	37½	18⅞	1,840	2.1
Lockheed		26½	+¼	29⅛	15⅛	1,677	4.2
Lowe's		2253p	-52	2478p	1245p	828.4	1.4
Merrill Lynch		32⅞xd	+⅞	39⅞	10⅞	3,381	1.7
Morgan (JP)		34⅞xd	+⅞	38¼	21⅞	6,504	3.6
Morris (Philip)		45½xd	+⅞	45½	25⅞	42,124	2.6
NYNEX		42⅛	+⅛	46⅞	39	8,595	6.1
♥Pac Agric		42p	+14	89p	15p	—	—
Pall		15⅛	—	17⅞	10⅞	1,348	1.3
Pennzoil		26⅞xd	-⅛	46⅛	25⅞	1,888	6.3
Quaker Oats		35⅞	-⅞	40⅞	24⅞	2,691	2.8
Rockwell		15⅞xd	-⅞	17⅛	12⅛	3,465	3.4
Rep NY		23⅛xd	+⅛	27⅞	16½	1,216	2.4
Sears, Roebuck		20¼xd	-⅞	26⅞	12⅞	9,832	4.3
Sthwestern Bell		34	+⅛	35⅞	25⅛	10,194	4.7
Sun Co.		16¼xd	+⅞	28¼	14⅛	1,723	6.3
Tenneco		22⅞xd	-⅞	27⅛	14⅞	2,747	4.0
Texaco		33⅛xd	-¼	40½	29⅞	8,826	5.4
Time Warner		61¼xd	—	64½	37⅞	3,656	0.9
♥Unilab		486p	-127	987p	250p	427.3	—
Utd Tech		30¼xd	—	31½	22⅛	3,679	3.3
♥UniTech		120p	+19	120p	42p	—	—
URS Intl. 1c		8½p	—	1¼p	0⅛p	1.59	—
US West		20⅛	-⅛	23	18¼	4,324	5.7
Varity		737p	—	1410p	578p	183.9	—
Waste Manage.		24⅛xd	—	28	16⅛	11,641	1.0
Whirlpool		2818pxd	+35	2788p	1053p	1,828	2.4
♥Woolworth		16⅛	-¼	20⅞	12¼	2,168	3.7

CANADIANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
♥Abbot Energy		2p	—	11p	1¼p	—	—
Amer Barrick		1465p	-62	1642p	953p	2,080	0.3
Bk Montreal		21⅞	-⅛	23¼	13	2,568	5.4
Bk Nova Scot		1028p	-8	1176p	536p	2,067	4.6
♥BC Gas		814p	-4	878p	635p	—	4.0
BCE		22⅞	—	24½	17¼	7,080	6.8
♥Brascan		894p	-10	1050p	647p	737.3	6.3
♥Breakwater		24½p	-1	36p	6p	15.7	21.8
Can Imp Bk		1589p	-15	1818p	1180p	2,854	4.5
[illegible]							

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS - Cont.

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

METALS & METAL FORMING

TELEPHONE NETWORKS

TEXTILES

PROPERTY

INVESTMENT COMPANIES

MISCELLANEOUS

OTHER FINANCIAL

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MEDIA

OTHER INDUSTRIAL MATERIALS

MOTORS

STORES

MINES

PACKAGING, PAPER & PRINTING

MERCHANT BANKS

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks which are quoted on SEAQ International
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
φ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
÷ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield, p/e based on earnings updated by latest interim statement.
φ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
r Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other offical estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1991
K Yield based on prospectus or other offical estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1991-92.
N Yield based on prospectus or other offical estimates for 1992
P Figures based on prospectus or other offical estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend.
xc ex scrip issue.
xr ex rights.
xa ex all.
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	118.7	120.1	126.4	+0.30	0.00
AIB Grofund Equity	5	166.6	168.6	178.4	-1.70	1.03
AIB Grofund Euro	5	134.9	136.7	143.9	-0.70	1.10
AIB Grofund Gilt	3	69.36	69.36	71.50	-0.11	6.98
AIB Grofund Japan	5	112.3	113.5	119.5	-2.50	0.00
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int.	6	115.9	115.9xd	122.9	-0.3	8.42
High Inc Equity	6	121.4	124.4	132.3	-1.0	6.52
Worldwide Bond	6	220.3	220.3xd	233.5	-0.4	6.09
Capital Growth						
American Growth	6	213.4	213.4	228.2	+0.7	.95
Asian Pacific	6	141.8	144.8	154.0	-0.6	1.24
Assets & Earnings	6	180.2	180.2	192.7	-1.2	3.25
Capital Reserve Acc	0	113.2	113.2	113.2	..	7.93
Capital Reserve Inc	0	83.74	83.74xd	83.75		7.93
Comdty & Energy	6	67.01	67.01xd	71.66	-0.24	1.44
1992 Enterprise	6	66.62	66.62	71.25	-0.46	2.99
Euro Capital Acc	6	90.57	90.57	96.86	-0.40	1.08
Euro Capital Inc	6	86.53	86.53	92.54	-0.37	1.08
General	6	164.1	164.1xd	175.5	-1.1	3.30
Japan	6	78.40	78.40	83.85	-1.73	-
Mastertrust	6	87.94	87.94	94.05	-0.62	2.53
UK Growth Acc	6	168.0	172.9	183.9	-0.7	2.47
UK Growth Dist	6	104.9	109.8	116.8	-0.5	2.52
US Emerging Cos	6	84.35	84.35	90.21	+0.40	-
Income & Growth	6	285.9	285.9	305.7	-2.3	4.98
Ethical	6	52.74	54.11	57.56	-0.24	2.95
International	6	61.44	62.29	66.36	-0.29	1.24
Dividend & Growth	6	45.15	46.24	49.19	-0.39	6.10
Global Gwth & Sec.	6	53.04	53.32	56.72	-0.06	2.75
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos.	0	1104.0	1104.0	1170.0		-
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	31.68	31.68	33.55	+0.01	2.37
Cash	0	50.18	50.18xd	50.18	+0.03	9.52
European	5¼	71.05	71.05xd	75.40	-0.06	0.31
European Income	5¼	71.26	71.61xd	75.55	-0.09	1.62
Exempt	1	790.3	790.3	819.5	-3.1	4.98
Extra Income	5¼	34.74	34.74xd	37.87	-0.22	6.53
Far East Emerg Econ.	5¼	56.02	56.02	60.15	-0.19	2.06
Fund Inv Tst.	5	109.5	112.7	120.3	-0.6	2.42
Fund Inv Tst Acc	5	178.8	184.1	196.5	-1.0	1.40
Gilt & Fixed Int	5¼	15.33	15.82xd	16.89	-0.02	11.74
Japan	5¼	129.7	129.7	137.7	-2.3	0.00
Pacific	5¼	37.36	37.36	40.00	-0.13	0.98
Property Share	5¼	39.16	39.54	42.21	-0.04	4.49
UK Growth	5¼	34.38	34.38	37.31	-0.16	3.72
World Growth	5¼	49.54	49.54	52.88	-0.08	0.00
Acorn Unit Trust Managers Ltd (1100)F						
1 White Hart Yd, London Bridge SE1 1NX 071-407 5966						
Ethical Tst	5	106.1	106.1xd	117.0	-1.50	1.40
Ethical Tst Acc	5	110.2	110.2xd	121.5	-1.60	1.40
Acuma Fund Managers Ltd (1000)F						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MGM Unit Managers Ltd (1000)F						
MGM House, Heene Rd, Worthing						
Dealing 0277 261010 Enq: 0903 204631						
High Income	5	222.2	224.7	239.0	-1.5	6.67
(Accum Units)	5	360.3	364.5	387.7	-2.5	6.67
UK Growth	5	276.3	279.0	296.8	-1.5	4.51
(Accum Units)	5	333.5	336.9	358.3	-1.8	4.51
Int. Equity Gth ‡	5	47.87	47.98	51.04	-0.36	0.98
Intl Bond	5	54.62	54.62	57.34	-0.13	7.87
Special Sits Gwth	5	14.43	15.00xd	15.95	-0.14	1.33
North American Gwth	5	72.97	73.21xd	77.88	+0.31	0.73
European Growth ‡	6	51.36	51.60	54.89	-0.22	1.13
MW Investment Managers Ltd (0659)F						
4b Court St, Haddington, E Lothian 062 082 5867						
MW Joint Investors	0	1096.7	1096.7	1122.4	..	4.30
Maldon Unit Trust Managers Ltd (1400)F						
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242						
Maldon General	0	102.6	102.6xd	105.7	..	5.51

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
NM Unit Trust Mngrs (1200)F						
The Bilton Centre, North Harbour, Portsmouth						
Enquiries: 0705 372222 Dealing: 0705 387730						
American ♥	5¼	38.57	38.57	37.94	+0.16	1.19
(Accum Units) ♥	5¼	38.53	38.53	41.09	+0.18	1.19
Australian ♥	5¼	204.40	204.40xd	219.30	-1.90	0.10
(Accum Units) ♥	5¼	231.10	231.10	247.90	-2.20	0.10
Conscience	5¼	53.90	53.90	57.52	-0.31	1.88
(Accum Units)	5¼	57.20	57.20	61.04	-0.33	1.88
European	5¼	146.20	147.70	157.50	+0.70	0.99
(Accum Units)	5¼	155.30	156.90	167.30	+0.80	0.99
Extra Income	5¼	60.57	60.57xd	64.64	-0.36	7.00
(Accum Units)	5¼	86.66	86.66	92.48	-0.52	7.00
Far East Gth Acc	5¼	105.20	105.20	112.40	-1.20	0.00
Gilt & F.I.	5¼	51.78	51.78xd	54.80	-0.13	8.32
(Accum Units)	5¼	115.50	115.50	122.20	-0.30	8.32
Gold ♥	5¼	28.39	28.53	30.46	-0.05	0.00
(Accum Units) ♥	5¼	30.50	30.50	32.79	-0.07	0.00
Income	5¼	42.67	43.28	46.16	+0.21	6.00
(Accum Units)	5¼	122.30	124.10	132.30	+0.80	6.00
Intnl.	5¼	24.15	24.15	25.91	-0.10	1.16
(Accum Units)	5¼	34.45	34.45	36.96	-0.16	1.16
Jap Smaller Cos	5¼	260.90	260.90	278.20	-4.20	0.00
Sing & Malaysian	5¼	104.80	104.80	112.30	-0.80	0.00
(Accum Units)	5¼	109.00	109.00	116.80	-0.80	0.00
Smaller Co's	5¼	22.37	22.37	24.05	-0.13	3.12
(Accum Units)	5¼	25.38	25.38	27.29	-0.15	3.12
Special Sits	5¼	26.23	26.23	28.20	-0.21	2.91
(Accum Units)	5¼	29.45	29.45	31.66	-0.25	2.91
Tokyo	5¼	55.87	55.87xd	59.59	-1.35	0.00
(Accum Units)	5¼	56.43	56.43	60.19	-1.36	0.00
UK Equity	5¼	134.90	134.90	143.80	-1.30	4.15
(Accum Units)	5¼	244.30	244.30	260.50	-2.30	4.15
OS Smaller Cos ♥	5¼	71.99	71.99	76.99	+0.09	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	35.90	35.90	38.15	-0.1	2.19
UK Equity Gth Acc	5¼	48.79	49.69	52.80	-0.6	1.87
UK Eq High Inc Inc	5¼	28.19	28.89	30.70	-0.4	6.05
UK Eq High Inc Acc	5¼	31.69	32.48	34.52	-0.5	6.05
UK Equity Gen Acc	5¼	45.23	46.01	48.89	-0.3	3.47
UK Equity Gen Inc	5¼	35.39	36.00	38.26	-0.2	3.47
UK Larger Cos Acc F	7½	301.2	308.2	331.2	-1.8	4.68
UK Larger Cos Inc F	7½	242.5	245.8	266.7	-1.4	4.68
Gilt & Fxd Int Inc	5¼	27.80	27.86	29.47	-0.2	7.50
O'seas Larg Cos Acc F	7½	209.0	212.3	230.6	+1.3	1.91
Nth American Acc	5¼	36.95	37.10	39.42	+0.2	0.99
Far East Acc	5¼	38.28	39.26	41.72	+0.2	0.21
European Acc	5¼	35.51	36.87	39.18	+0.2	1.55
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	300.4	300.4	320.3	+1.2	0.70
(Accum Units) ♥	5	353.6	353.6	377.0	+1.4	0.70
British	5	779.8	796.8xd	843.0	-4.3	6.16
(Accum Units)	5	1307.7	1336.2	1413.7	-6.9	6.16
European	5	340.6	340.6	362.0	-0.2	1.38
(Accum Units)	5	369.2	369.2	392.4	-0.2	1.38
Japan	5	99.55	99.54	106.0	-1.8	-
(Accum Units)	5	100.3	100.3	106.8	-1.9	-
New Pacific	5	197.4	197.4	210.5	-2.0	1.63
(Accum Units)	5	202.7	202.7	216.2	-2.0	1.63
PEP Mar 11	5	150.1	151.5	160.3	----	3.90
Mngd Equity	5	124.9	126.2	133.5	-0.9	2.82
Mngd Equity Acc	5	132.5	133.9	141.6	-1.0	2.82
Mngd Cash	0	96.88	96.88	96.88	+0.06	10.25
(Accum Units)	0	119.5	119.5	119.5	+0.10	10.25
Majority Stlg	1	100.86	100.86	101.87	+0.06	9.98
Majority Stlg Acc	1	109.84	109.84	110.94	+0.07	9.98
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
International Mar 13	0	51.10	51.10	51.56	----	3.18
Sun Alliance Unit Tst Mngmt Ltd (1200)F						

	Bid Price	Offer Price	+ or -	Yield Gross
Henderson Unit Trust Management Ltd				
Pensions Mngd	52.52	53.67	-0.21	3.87
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1166.0	1256.0	----	-
Mngd Pens (Acc)	67.1	71.5	----	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	----	7.00
Inc Gth Prp Jul 31	£1375.0	1460.0	----	8.90
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Mar 11	£4016.3	4187.4xd	----	3.79
European Mar 11	£592.1	598.7	----	1.46
American Mar 11	£375.5	379.1	----	2.14
Japan Mar 11	£432.6	438.0	----	1.49
Pacific Mar 11	£149.5	153.4	----	1.13
W Midlands Jan 31	£132.00	147.00	----	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Feb 29	196.75	200.75	----	7.98
Equity Feb 29	898.25	911.00	----	3.76
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Mar 13	101.99		-0.5	10.57
(Accum Units)	617.65		-3.1	10.57
NAACIF Mar 10	40.50		----	9.51
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Mar 10	128.5	138.5	----	1.96
UK Small Co † Mar 10	525.6	573.3	----	3.49
Fixed Interest † Mar 10	111.5	117.3	----	8.54
US Small Co Mar 10	180.6	193.3	----	0.00
Managed Mar 10	109.0	116.9	----	3.40
Intl Bond Mar 10	121.9	128.6	----	9.97
Japan Mar 10	64.73	69.01	----	4.26
European Mar 10	92.78	99.32	----	1.71
Nth American Mar 10	123.2	132.5	----	1.20

	Bid Price	Offer Price	+ or -	Yield Gross
Norwich Union Life Insurance Soc.				
Surrey Street, Norwich NR1 3NG 0603 622200				
Unitised Life				
With Profits Fd	120.51	126.85	+0.08	-
Managed Fd	100.25	105.52	-0.45	-
UK Ord Share Fd	104.59	110.09	-0.43	-
International Fd	92.89	97.78	-0.29	-
European Fd	90.60	95.36	-0.49	-
North American Fd	105.99	111.56	+0.37	-
Pacific Fd	83.02	87.38	-0.61	-
Property Fd	89.01	93.69	-0.02	-
Fixed Int Fd	111.96	117.85	-0.52	-
Intl Bond Fd	113.12	119.08	-0.53	-
Deposit Fd	119.30	125.58	+0.08	-
Unitised Pensions				
With Profits Fd	164.51	173.17	+0.14	-
Managed Fd	162.85	171.42	-0.83	-
UK Equity Fd	173.29	182.41	-1.10	-
International Fd	160.67	169.12	-0.68	-
European Fd	146.75	154.48	-0.77	-
North American Fd	179.99	189.47	+0.77	-
Pacific Fd	123.01	129.49	-0.88	-
Property Fd	152.76	160.80	+0.09	-
Fixed Int Fd	138.56	145.85	-0.60	-
Intl Bond Fd	143.03	150.55	-0.49	-
Bldg Soc Dep Fd	155.19	163.35	+0.12	-

Continued on next page

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GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Grs
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$14.94	15.77	(z)	0.88
Japanese Warrants	$4.00	4.24	(z)	-
Asian Warrants	$11.32	11.99	(z)	-
European Warrants	$4.63	4.91	(z)	-
Managed	HK$10.76	11.38	(z)	-
Private Capital Tst		$20.13	(z)	-
Wellington Fd Mngrs (Bermuda) Ltd				
Intl Growth Fd	$13.33	14.00		-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)		$10.63		-
Wells Fargo B Shs (z)		$9.73		-
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$2.0951		-
Xiphias Int ECU		Ecu1.0761		-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund		$10.74		-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

All quiet on the dollar front

THE FOREIGN exchanges appeared reluctant to move on any currency yesterday, with most units trading in a narrow range, *reports Peggy Hollinger.*

The dollar was consolidating after recent gains and closed in London at DM1.6655 compared with a previous DM1.6665. In New York the US unit slipped to a DM1.6615 finish. The lack of statistics out of the US gave traders little incentive to find new positions on the dollar, said Mr Nick Parsons, head of the treasury advisory group at CIBC. Strong resistance at DM1.6720 was expected to hold for the short term. However, he argued, there remained an underlying bid sentiment to the dollar market.

The lack of inspiration in the dollar market was being attributed to the signs of improvement now being seen in the US economy. Recovery had already been priced in, said Mr Mark Austin, economist at HongKong Bank, and now the market was unsure of its next moves. "There is a risk the dollar will drift off unless there are exceptional numbers from the US," he added.

Sterling took some support from the Labour party's budget proposals, which included a strong commitment to the European exchange rate mechanism. Rumours that a small rise in sterling in the afternoon was the result of Bank of England intervention were unsubstantiated. Mr David Simmonds, chief treasury economist at Midland Montagu, dismissed the intervention speculation and said there had been nothing unusual in the rise.

The pound closed firmer at DM2.8575, against DM2.8550, and at $1.7155, from $1.7125. In New York it rose to $1.7220.

Traders said the prospects for sterling were on the downside this week, with Thursday's unemployment figures not likely to boost support for the Conservative party. Furthermore, speculation about a UK rate cut was likely to resurface this week with the retail price index out on Friday.

The RPI figures were expected to show UK inflation below Germany's, perhaps opening a window of opportunity for a rate cut. After Thursday's jobless figures, the government could well be desperate for some good news for the Tory party campaigners to carry to the voters, said Mr Parsons: "It is no more than an outside chance, but it is a chance."

Within the ERM, sterling traded close to its limit against the peseta for most of the day.

The yen came under pressure following the Nikkei's tumble to a five-year low, and declined against the dollar, sterling and the D-Mark. The Japanese currency weakened from Y133.55 to Y133.95 per dollar, from Y228.75 to Y229.75 per pound and from DM1.2493 per 100 yen to DM1.2420.

Investors in the South African financial rand would be anxiously awaiting the results of the all-white referendum, expected tomorrow, said Mr Peter Luxton, senior economist at Barclays. The financial rand would need a "resounding yes vote on a good turnout" if it were to avoid a sharp tumble, he added.

£ IN NEW YORK

Mar.16	Close	Previous Close
£ Spot	1.7215-1.7225	1.7070-1.7080
1 month	1.02-1.00pm	1.04-1.02pm
3 months	2.65-2.62pm	2.66-2.63pm
12 months	8.75-8.65pm	8.75-8.65pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.222	-3.30	6.08	57
Belgian Franc	42.4032	42.0332	-0.87	3.48	37
Dutch Guilder	2.31643	2.29862	-0.77	3.37	33
D-Mark	2.05586	2.04254	-0.65	3.25	35
Irish Punt	0.767417	0.766038	-0.18	2.76	4
Italian Lira	1538.24	1536.08	-0.14	2.72	2
French Franc	6.89509	6.93569	0.59	1.98	-38
Danish Krone	7.84195	7.92204	1.02	1.54	-51
Sterling	0.696904	0.714865	2.58	0.00	-51

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Mar 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7085 - 1.7185	1.7150 - 1.7160	1.01-0.99cpm	7.00	2.66-2.63pm	6.17
Canada	2.0525 - 2.0605	2.0575 - 2.0585	0.71-0.64cpm	3.94	1.61-1.48pm	3.00
Netherlands	3.2125 - 3.2225	3.2125 - 3.2225	¼-⅛cpm	0.93	⅞-⅝pm	0.93
Belgium	58.70 - 58.95	58.85 - 58.95	7-5cpm	1.22	17-12pm	0.98
Denmark	11.0680 - 11.0950	11.0825 - 11.0925	1⅛-½orepm	0.88	2¼-1⅝pm	0.79
Ireland	1.0710 - 1.0735	1.0725 - 1.0735	0.02-parcpm	0.11	0.05-0.01pm	0.11
Germany	2.8550 - 2.8600	2.8550 - 2.8600	¼-⅛pfpm	0.79	¾-⅝pm	0.96
Portugal	245.45 - 246.90	245.90 - 246.90	25-47cdis	-1.75	142-166dis	-2.50
Spain	180.55 - 180.95	180.55 - 180.85	36-45cdis	-2.69	80-95dis	-1.94
Italy	2144.50 - 2151.45	2148.50 - 2149.50	2-4liredis	-1.68	7-9dis	-1.49
Norway	11.1960 - 11.2300	11.2200 - 11.2300	⅝-⅛orepm	0.40	1¼-⅛pm	0.24
France	9.6930 - 9.7100	9.7000 - 9.7100	⅝-⅛cpm	0.62	1⅜-⅞pm	0.46
Sweden	10.3555 - 10.3775	10.3650 - 10.3750	⅛-⅞oredis	-0.72	1½-2½dis	-0.77
Japan	229.25 - 230.30	229.25 - 230.25	1⅛-1ypm	5.55	3⅜-3⅛pm	5.66
Austria	20.08 - 20.13	20.10 - 20.13	2¼-1⅛grodpm	1.30	6¼-4pm	1.02
Switzerland	2.5825 - 2.5975	2.5875 - 2.5975	½-⅜cpm	2.03	1½-1⅛pm	2.12
Ecu	1.3970 - 1.4005	1.3995 - 1.4005	0.09-0.04cpm	0.56	0.18-0.12pm	0.43

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.07-5.02pm. 12 Month 8.70-8.60pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7085 - 1.7185	1.7150 - 1.7160	1.01-0.99cpm	7.00	2.66-2.63pm	6.17
Ireland†	1.5965 - 1.6015	1.6000 - 1.6010	0.94-0.91cpm	6.94	2.50-2.43pm	6.16
Canada	1.1970 - 1.2005	1.1995 - 1.2005	0.30-0.32cdis	-3.10	0.94-0.99dis	-3.22
Netherlands	1.8720 - 1.8815	1.8745 - 1.8755	0.93-0.96cdis	-6.05	2.45-2.48dis	-5.26
Belgium	34.25 - 34.40	34.30 - 34.40	16.00-17.50cdis	-5.85	44.00-46.00dis	-5.24

MONEY MARKETS

Rates remain firm

THE money markets remained pessimistic about a cut in UK interest rates, closing slightly firmer in a day of quiet trade.

The firmer tone followed an easier opening as the markets attempted to correct Friday's excesses – when traders swapped rumours of a six-point opinion poll lead for Labour in the April 9 general election campaign. In the event, the sighs of relief were almost audible when the polls revealed a mixed bag of results, with Labour at best showing just a minor lead.

Traders dismissed the prospect of a cut in the short term, and the rate as far out as one year was even nudging 11 per cent by the end of the day.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The key three months interbank rate closed at 10¾-⅝ per cent. On the futures market, the June short sterling contract fell from an opening of 89.22 to 89.15 at the close.

Day-to-day funding took encouragement from the Bank of England's early actions to stem the greater than expected shortage. Tax payments put heavy pressure on the system, the Bank of England initially forecasting a £2.15bn shortage, which was twice revised upwards to end at £2.3bn.

In early operations, the Bank took out the bulk of the shortage with a £1.6bn repo at 10$\frac{7}{16}$ per cent and a token amount in the cheaper band four bank bills at 10$\frac{7}{32}$ per cent. Late morning brought a £512m purchase of band one bank bills at 10⅜ per cent, band three bank paper at 10$\frac{5}{16}$ per cent, and band four treasury and bank at 10$\frac{9}{32}$ per cent. Afternoon and late assistance totalled £200m.

As a result of the Bank's generous morning help, overnight rates were being quoted as low as 8 per cent. However, little money changed hands at that level, with the bulk of the cheap money being traded at noon at levels of about 9½ per cent.

In Germany, the March tax deadline drained funds from the market. This pushed call rates slightly higher during the day from 9.50/60 per cent to 9.55/65 per cent.

Traders said they expected rates to stay at or above 9.65 per cent during the tax period.

The Federal Reserve injected temporary reserves into the US banking system, as funds had firmed to 4⅛ per cent. The injection came in the form of an unfixed three-day repurchase agreement. This means that dealers can withdraw their collateral over the agreement's term.

The presumed Fed target for federal funds is 4 per cent.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
106	-	-	-	0.15	0.41	-
107	1.40	-	-	0.35	0.70	-
108	0.78	1.35	-	0.71	-	-
109	0.38	0.90	-	1.29	1.60	-
110	0.16	0.56	-	-	-	-
111	0.06	-	-	-	-	-
112	0.03	0.20	-	-	-	-
Open Int.	91,376	12,401	850	70,774	6,258	850

Estimated volume 41,217 Total Open Interest 182,509

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY RATES

NEW YORK

4pm		Treasury Bills and Bonds			
Prime rate	6½	Two month	4.03	Five year	7.11
Broker loan rate	6	Three month	4.15	Seven year	7.41
Fed funds	4⅛	Six month	4.38	10-year	7.69
Fed. funds at intervention	4⅛	One year	4.76	30-year	8.08
		Two year	5.85		

Mar.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.55-9.65	9.60-9.70	9.60-9.70	9.60-9.70	9.56-9.68	9.75
Paris	9$\frac{11}{16}$-9$\frac{13}{16}$	9⅞-10	9⅞-10	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{13}{16}$-9$\frac{15}{16}$	9.60
Zurich	7⅞-8⅛	8⅛-8⅜	-	8⅛-8⅜	-	-
Amsterdam	9.50-9.62	9.54-9.62	-	9.53-9.58	-	-
Tokyo	5½-5⅝	5⅝-5¾	-	5⅝-5¾	-	-
Milan	12-12⅛	12⅛-12⅜	-	12⅛-12⅜	-	-
Brussels	9.50-9.62	9$\frac{9}{16}$-9$\frac{11}{16}$	-	9⅝-9$\frac{11}{16}$	-	-
Dublin	10⅝-10¾	10⅝-10¾	10⅝-10¾	10⅝-10¾	10½-10⅝	-

LONDON MONEY RATES

Mar 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅞	10$\frac{13}{16}$	10¾	10$\frac{13}{16}$	10$\frac{15}{16}$	11
Interbank Bid	8	10$\frac{9}{16}$	10½	10⅝	10$\frac{13}{16}$	10⅞
Sterling CDs	-	-	10⅝	10$\frac{11}{16}$	10$\frac{13}{16}$	10⅞
Local Authority Deps.	10½	10½	10⅝	10⅝	10$\frac{13}{16}$	10$\frac{15}{16}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¾	10½	-	-	-	-
Company Deposits	-	-	10¾	10¾	10$\frac{13}{16}$	10$\frac{15}{16}$
Finance House Deposits	-	-	10¾	10¾	10⅞	10$\frac{15}{16}$
Treasury Bills (Buy)	-	-	10⅜	10⅜	9$\frac{13}{16}$	-
Bank Bills (Buy)	-	-	10$\frac{7}{16}$	10¼	10⅜	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.36	4.36	4.60	5.18
SDR Linked Dep. Offer	-	-	6$\frac{5}{16}$	6⅜	6$\frac{5}{16}$	6¾
SDR Linked Dep. Bid	-	-	6$\frac{3}{16}$	6¼	6¼	6½
ECU Linked Dep. Offer	-	-	10⅛	10$\frac{3}{16}$	10⅛	10⅛
ECU Linked Dep. Bid	-	-	10	10$\frac{1}{16}$	10⅛	10

Treasury Bills (sell): one-month 10$\frac{1}{16}$ per cent; three months 9$\frac{13}{16}$ per cent; six months 9$\frac{11}{16}$ per cent; Bank Bills (sell): one-month 10$\frac{5}{16}$ per cent; three months 10$\frac{3}{16}$ per cent; Treasury Bills; Average tender rate of discount 10.1247 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1992. Agreed rates for period Mar.25, 1992 to April 25, 1992, Scheme I: 11.67 p.c., Schemes II & III: 11.64 p.c. Reference rate for period Feb 1, 1992 to February 28, 1992, Scheme IV&V: 10.433 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from March 1, 1992; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

CROSSWORD

No.7,800 Set by GRIFFIN

ACROSS
1 Always backed Jolson's show (6)
4 Many unconventional folk will be carpenters (8)
10 Reception giving pleasure (7)
11 Tortoise quietly leaves area of ground (7)
12 Row spread by the weekend (4)
13 Baggage hasn't a speech defect (10)
15 Lives in £8 back street (6)
16 Turns to machinery – includes food processor (7)
20 Discussed taking action about club (7)
21 Uncover something a Parisian stole (6)
24 It's taught that crime's wrong, I interjected (10)
26 Brewer drops British Rail jug (4)
28 Staff head missed tea break to get fabric (7)
29 After quarter to six damage becomes obvious (7)
30 Dependable neckwear for sponsors (8)
31 Unemotional doctor is told (6)

DOWN
1 Looking embarrassed about fighting, editor is repaid (8)
2 Lent naive eccentric a card to send (9)
3 Very keen to leave silver around (4)
5 Object the girl dropped in hot liquid previously (6)
6 Menial performing role rings legislative body (10)
7 In a loveless one it's silly (5)
8 Nurse scoffed after seeing governing body (6)
9 Sordid joint closes early (5)
14 Devotion shown if arranging match in marquee (10)
17 Part of farm vehicle turned by gymnasts (9)
18 Drink in Bull's Head, always before time (8)
19 Ran by, in love with a man (8)
22 Thrashes pet ass in error (6)
23 Brought up study if penalised (5)
25 Imply article is dropped in fear (5)
27 After last night clear up filth (4)

Solution to Puzzle No.7,799

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

CANADA

TORONTO

4:00 pm prices March 16

MONTREAL

4:00 pm prices March 16

INDICES

NEW YORK

DOW JONES	Mar 16	Mar 13	Mar 12	Mar 11	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3236.36	3235.91	3208.63	3208.63	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	98.54	98.69	98.67	98.98	99.81 (6/2)	98.54 (16/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1395.74	1400.78	1393.12	1389.95	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.06	203.30	204.43	204.56	225.59 (3/1)	202.55 (6/3)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3249.11 (3252.24) Low 3201.25 (3203.71)

STANDARD AND POOR'S	Mar 16	Mar 13	Mar 12	Mar 11	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	406.39	405.84	403.89	404.03	420.77 (15/1)	403.89 (12/3)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	483.80	483.15	480.59	480.63	499.27 (15/1)	480.59 (12/3)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.00	33.91	33.76	33.84	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	224.44	224.30	223.30	223.55	231.85 (15/1)	223.30 (12/3)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	402.88	404.06	403.59	405.85	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	617.94	618.62	615.92	617.14	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Mar 13	Mar 6	Feb 28	year ago (approx.)
Dow Industrial Div. Yield	2.84	2.84	2.79	3.42
	Mar 11	Mar 4	Feb 26	year ago (approx.)
S & P Industrial div. yield	2.64	2.61	2.57	2.83
S & P Indl. P/E ratio	28.51	28.61	29.03	17.53

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Unisys	2,581,700	10⅛	+ 1
Eastman Kodak	2,544,600	40⅞	- 1⅞
Ford Motor	2,253,700	37⅞	+ 1¼
RJR Nabisco	2,238,900	9⅞	- ⅛
Circle K	2,113,200	½	- ⅛
Chrysler	2,092,000	17¼	+ ½
Weyerhaeus	2,016,300	36¼	+ 2⅞
Pfizer	1,508,900	70¼	- 1¼
Glaxo	1,390,500	27⅞	—
General Motors	1,322,900	37½	—

TRADING ACTIVITY

† Volume (Millions)	Mar 16	Mar 13	Mar 12
New York SE	131.280	176.000	180.240
Amex	15.669	17.098	12.514
NASDAQ	(u)	165 613	189.534
NYSE			
Issues Traded	2,213	2,191	2,198
Rises	770	996	612
Falls	926	669	1,015
Unchanged	517	526	571
New Highs	33	29	23
New Lows	30	19	36

CANADA

TORONTO	Mar 16	Mar 13	Mar 12	Mar 11	1992 HIGH	1992 LOW
Metals & Minerals	2961.53	2985.40	3002.51	3030.39	3238.87 (16/1)	2935.22 (2/1)
Composite	3444.14	3475.79	3479.84	3503.57	3666.00 (16/1)	3444.14 (16/3)
MONTREAL Portfolio	1806.92	1821.66	1830.96	1836.39	1937.59 (16/1)	1806.92 (16/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD M.S. Capital Intl.(1/1/70) (S)	489.6*	492.8	491.9	494.8
Euro Top-100 (26/6/90)	917.92	921.99	920.23	930.95

**Saturday March 14: Taiwan Weighted Price: 5029.61. Korea Comp Ex ... ‡ Subject to official recalculation. † Amended figure. *Cal... Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen... and DAX - 1,000, JSE Gold - 255.7, JSE 26 Industrials - 264.3 and Aus... Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday March 16 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tobu Rail	4.8m	750	-20	Nippon Zeon	2.4m	667	-35
Okamoto	3.3m	1,270	-60	Snow Brand	2.4m	771	-37
Nippon Steel	3.3m	309	+3	Citizen Watch	2.3m	725	-38
Hitachi	2.4m	785	-	Hattori Seiko	2.3m	1,290	-40
Kawasaki Steel	2.4m	311	+6	Keihin Express	2.3m	760	-60

Price data supplied by Telekurs.

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4:00 pm prices March 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅝	12¾	AAR Corp	0.48	3.2	16	77	15	14⅞	14⅞	
26	20⅝	A L Labs A	0.16	0.7	104	785	22⅛	21⅞	22	+⅛
68¾	56⅞	AMP Inc	1.52	2.5	24	782	60⅞	60⅞	60⅞	
80¼	66⅜	AMR				262691	78	76¼	76⅞	-1⅛
2⅜	1⅞	ARX			2	16	2	1⅞	1⅞	
53½	44⅝	ASA	2.75	6.2	13	834	44⅞	d43¾	44⅜	-⅝
68⅞	58⅛	Abbott Lab	1.20	2.0	23	4583	59⅞	d58¾	59⅛	-⅝
13½	12⅛	Abitibi Pr	0.43	3.2	28	10	13¼	13¼	13¼	+⅛
11⅝	10⅜	ACM Gvt In x	0.96	9.2		314	10½	d10⅜	10⅜	-⅛
10⅜	9⅛	ACM GvOpp x	0.80	8.5		396	9⅜	9¼	9⅜	+⅛
9½	8⅝	ACM Gvt Sp x	0.80	9.0		183	8⅞	8¾	8⅞	+⅛
11¼	10⅛	ACM Gvt Se	0.98	9.1		482	10½	10⅜	10½	+⅛
9⅜	8⅝	ACM Man x	0.95	10.7		349	8⅞	8¾	8⅞	
12⅞	10⅞	ACM Mangd x	1.08	9.7		144	11⅜	11⅛	11⅛	-⅛
10⅞	7	Acme Cleve	0.40	4.1	18	142	9⅞	9¾	9¾	
6¼	4½	Acme Elect			4	69	6⅛	5⅞	5¾	
33¾	19½	Acuson			12	1536	21	20½	20⅝	
19⅞	18½	Adams Expr	0.48	2.6	0	185	19	18¾	19	+¼
15½	13	Adobe12Pf	2.40	16.6		82	14⅝	14¼	14½	+⅜
5⅜	4½	Adobe Res			2	122	5	4⅞	5	+⅛
49⅛	40½	Ad Micro	3.00	6.9		31	43¼	43	43¼	-¼
21½	16½	Ad Micro P	3.00	16.8	11	3432	18	17½	17⅞	
9⅛	5	Advest Grp	0.16	2.1	31	53	7¾	7⅝	7⅝	
71¾	67⅛	Aegon ADR				8z100	67⅞	67⅞	68	
47	39	Aetna Lf	2.76	6.3	9	1168	44¼	43¾	43¾	-½
12	8⅜	Alfil A	0.24	2.4	72	488	10¼	10	10⅛	+⅛
32⅞	28	Aflac	0.40	1.4	15	542	28⅞	28½	28⅝	-¼
19⅜	15⅝	Ahmanson	0.88	5.2	8	519	17	16⅝	16⅞	
22½	15	Aileen Inc			15	193	18¾	18	18½	+⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices March 16

NASDAQ NATIONAL MARKET

4:00 pm prices March 16

FINANCIAL TIMES Tuesday March 17 1992

AMERICA

Motors firm as Dow retrieves early decline

Wall Street

US EQUITIES shrugged off the drop in Tokyo yesterday and moved modestly in a session dominated by programme trading, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed a marginal 0.45 up on balance at 3,236.36 after having fallen more than 24 points by midsession. Volume was exceptionally thin, with only 151.3m shares changing hands. On the big board, declining issues still outscored advances by 940 to 750. On Friday, the Dow gained 27.28 at 3,235.91.

The Standard & Poor's 500 *lost just 0.55 on the day at* 406.39 and in the secondary market the Nasdaq composite was finally just 0.68 off at 617.94.

Motor companies dominated trading on the New York Stock Exchange yesterday after Chrysler named Mr Robert Eaton to succeed Mr Lee Iacocca as chairman. Mr Eaton, previously chairman of General Motors Europe, will initially join Chrysler as vice-chairman and chief operating officer before taking over at the end of the year.

Ford led the big three automakers in terms of volume, adding $1⅛ at $37¾. Chrysler firmed $1¼ to $17¾ and General Motors held steady at $37⅞.

Among other active issues, Weyerhaeuser, the forest products company, climbed $2⅛ to $36⅝ after Smith Barney Harris Upham increased its first-quarter earnings estimates for the company.

Eastman Kodak fell $1⅞ to $40⅞ after the photographic equipment concern said that it does not expect its business to *rebound in the first quarter.* However, Kodak added that it expects to post good gains for the year.

Pfizer, the big pharmaceutical group, weakened a further $⅞ to $70½. The stock started to tumble on Friday amid concern that risks associated with the company's Shiley heart valves might be greater than previously thought.

Sports shoe maker Nike dropped $3⅛ to $70¼ after posting third-quarter profits of $1.08 a share, against 93 cents a year ago. *Shares in the group's* competitor, Reebok, were unmoved at $32⅞, while L.A. Gear eased $⅛ to $13⅞.

Unisys was one of the strongest big board issues yesterday, climbing $⅞ to $10. Mr James Unruh, the company's chairman and chief executive, predicted first-quarter profits in spite of continued weakness in the US economy and very competitive conditions in the computer industry. Unisys had a loss of $98m, or 79 cents a share, in the 1991 first quarter.

In over-the-counter trading, *Good Guys tumbled* $3⅛ to $18⅞ after Goldman Sachs removed the stock from its recommended list.

Canada

RISING interest rates helped to spark a broad-based sell-off on the Toronto market in solid turnover.

The composite index dropped 31.6 to 3,444.1, while declining issues outpaced advances by 415 to 165 after volume of 30.7m shares.

Every sub-group except pipelines posted a loss. Golds showed the largest decline, ending down 2.06 per cent. Spot gold was quoted at US$343.75 an ounce, down US$3, in New York. Transportation lost 2.03 per cent and financial services fell 1.49 per cent.

Investors are worried about rising interest rates, a sagging Canadian dollar, flat corporate earnings and Canada's constitutional problems, commented an analyst.

SOUTH AFRICA

JOHANNESBURG remained nervous ahead of today's whites-only referendum on reform. The all-gold index fell 8 to 1,185, while the industrial index advanced 11 to 4,368. The overall index closed down 11 at 3,522.

EUROPE

Continent depressed by Japanese weakness

EVENTS in the Far East echoed gently, but still depressingly among most continental bourses yesterday, *writes Our Markets Staff.*

PARIS drifted to the day's low shortly after the start and stayed there for most of the day. The CAC-40 index hit 1,922.22 before closing at 1,929.22, down 17.83. Dealers reported several basket trades and blamed the bigger price movements on the low turnover, estimated at FFr1.7bn-1.8bn.

Lafarge was one of the day's most active stocks, falling FFr8 to FFr337 with 300,600 shares traded on 1991 profits below market expectations of FFr1.3bn. Some brokers are likely to revise down their 1992 profit estimates as a result.

News that a Paris court had cancelled the sale of a 13.83 per cent stake in Perrier to Groupe Saint-Louis prompted Perrier to jump FFr14 to FFr1,650 while Saint-Louis dropped FFr43 or 3.1 per cent to FFr1,341. Dealers said the ruling improved Nestle's chances of success in taking over the mineral water company, and at the same time, raised the likelihood that it would only have to increase its offer price of FFr1,475 by a nominal amount.

Total fell FFr6.80 or 2.9 per cent to FFr232.10 as relatively heavy selling by a UK broker hit a thin market.

FRANKFURT traded in a thin range as *the FAZ index* fell 3.12 to 700.70 at midsession, and the DAX closed 7.84 lower at 1724.80. Turnover fell from DM4.7bn to DM3.8bn.

The market was hurt by a report that Volkswagen's margins on car production were very adversely affected last year by start-up costs for the new Golf model. VW itself fell DM4.60 to DM366.40. But this may also have reflected profit-taking: after a weak 1991, the shares had led the German market up this year with a rise of 31 per cent to a 1992 peak of DM378.50.

The multiple expiry of March DAX index contract, options on the DAX future, options on the DAX itself and stock *options on Friday was expected* to bring some volatility into the market later this week.

MILAN closed weaker on the final day of the February account and there were reports that rather than covering short positions, professionals were borrowing stock from banks in order to carry them over. The Comit index fell 5.44 to 505.27 in turnover estimated at around Friday's 96.9bn.

Fiat eased L15 to L4,870 at the official fixing but was quoted as low as L4,770 in afternoon trading in London on the Paris news about Perrier. This move was seen as lessening the Agnelli group's chances of taking over the French mineral water company.

The banking sector lost 1.7 per cent, and there were further signs that the San Paolo share offering had not gone smoothly. The shares are due to start trading today. There was a grey market offer price of L12,300, just above the issue price of L12,200, but no grey market bid price. Mediobanca fell L350 to L13,820.

Pirelli was one of the few gainers, adding L5 to L1,185 on short-covering.

ZURICH ended above its lows on bargain hunting in moderate volume, the SPI index easing 3.9 to 1,121.0. Bearers in the restaurant and hotel group, Mövenpick, rose SFr150 or 4.1 per cent to SFr3,850. After the bourse the company said that its chief executive officer, Mr Michel Favre, had stepped down with immediate effect.

AMSTERDAM drifted lower and the CBS Tendency index closed down 0.5 at 124.7. Wolters Kluwer, the publishing group, reported a 5⅜ per cent increase in net profits, below market expectations, and shed 70 cents to Fl 68.80.

Hunter Douglas, the building materials group, which reported disappointing results on Friday, rose 80 cents to Fl 64.00 on bargain-hunting, while Ahold, the retailer, closed down 40 cents at Fl 85.50 as investors took profits.

News that an Italian engineering group had taken a 6 per cent stake in Fokker, left the aircraft manufacturer 30 cents lower at Fl 34.70.

MADRID was quiet in low turnover: the general index closed down 1.31 at 258.87. The construction sector, which had performed strongly at the end of last week, fell back as investors took profits.

BRUSSELS ended mixed with the Bel-20 index closing down 3.64 at 1,208.76 in turnover of BFr558m. Petrofina shed BFr50 to BFr10,500 while Solvay fell BFr75 to BFr13,425.

STOCKHOLM was supported by Ericsson, which saw its B shares up SKr5 to SKr131 and accounted for more than a quarter of overall volume, moderate at SKr391m.

Ericsson had already risen on big orders in Malaysia and Germany; yesterday there were rumours of even bigger orders yet to come in Iran and Japan, *and a story that General Electric was eyeing a stake in the* telecommunications group.

The Affärsvärlden General index rose 2.1 to 988.6. Modo B closed only SK1 lower at SKr227 on an 82 per cent fall in 1991 profits, better than its own forecast of break-even.

COPENHAGEN fell across a broad front, with the CSE index closing 2.89 lower at 340.12. Danske Bank, Novo Nordisk and East Asiatic were among the most active losers, falling DKr6 to DKr311, DKr6 to DKr623 and DKr4 to DKr141.

HELSINKI fell back slightly, the HEX index shedding 2.8 to 860.0 in turnover of FM13.2m.

FT-SE Eurotrack 100 - Mar 16

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1146.59	1146.89	1147.85	1146.90	1146.99	1146.78	1145.97	1145.61

Day's High 1147.94 Day's Low 1145.40

Mar 13	Mar 12	Mar 11	Mar 10	Mar 9
1154.40	1149.99	1161.88	1169.22	1165.45

Base value 1000 (26/10/90).

ASIA PACIFIC

Authorities offer no help as Nikkei falls below 20,000

Tokyo

THE Nikkei average fell 3 per cent yesterday, closing below *the critical 20,000 level for the* first time since February 1987, *writes Emiko Terazono in Tokyo.*

Small-lot profit-taking and arbitrage unwinding left the 225-issue average down 618.90 at 19,837.16, below the October *1990 low of 20,221.86.*

The index opened at the day's high of 20,442.53 and reached a low for the session of 19,790.16 in the afternoon.

Volume dropped to 200m shares from Friday's 650m, the settlement day for March *futures and options contracts.* Declines led advances by 763 to 231, with 129 issues unchanged.

The Topix index of all first section stocks retreated more slowly, but its fall of 19.14 to 1,444.86 left it at the lowest level since November 1986. The *Topix has fallen for 10 consecu*tive trading days, the first time since March 1964. In London, the ISE/Nikkei 50 index eased only 0.04 to 1,102.75.

Small-lot selling by tokkin, or specified money trusts, and investment trust funds, which *closed trading for the financial* year yesterday, depressed share prices.

Dealers said trading was not panicky and that share prices fell in an "orderly fashion". "We weren't in a free fall," said Miss Caroline Stone at Bar*clays de Zoete Wedd.*

However, Mr Jason James, strategist at James Capel, said market conditions were "very weak" as represented by the declines in the Topix index and other benchmark stock prices, pointing out that the fall in the *Nikkei had lagged behind.* Traders said sharp falls in illiquid component stocks in the Nikkei yesterday suggested that the index had been propped up by dealers in recent weeks.

The authorities declined to *support the market. On previ*ous occasions of market weakness, the Ministry of Finance has tried to talk up the market, and the Bank of Japan has lowered short-term interest rates to add liquidity.

Mr Tsutomu Hata, finance *minister, said he was* not considering steps to prop up the stock market, and Mr Yasushi Mieno, Bank of Japan governor, told a House of Councillors' committee that the economy was unlikely to slow much further, disappointing *those who had expected a cut* in the official discount rate.

The top losers of the day included illiquid Nikkei components. Daito Woollen Spinning and Weaving fell Y210 to Y1,470 and Godo Shusei Y190 to Y1,740.

*Okamoto Industries, the con*dom maker which has been traded actively by short-term traders, retreated Y60 to Y1,270. The Tokyo Stock Exchange put the issue on its "watch list" due to its volatility.

Blue *chips lost ground on* selling by investment trusts. Matsushita Electric Industrial and Sony fell by Y40 each, to Y1,240 and Y3,920 respectively. Banking shares were also weak, with Industrial Bank of Japan down Y20 to Y2,540 and *Fuji Bank Y60 to Y1,970.*

In Osaka, the OSE average lost 288.88 to 21,588.64 in volume of 160.8m shares.

Roundup

THE NIKKEI'S drop through *20,000 weighed on Pacific Rim* markets.

SEOUL was brought off the day's lows as the Market Stabilisation Fund spent Won30bn to support prices. The composite index lost 1.09 to 608.36. Turnover stood at Won171.3bn after *Saturday's half-day* Won146.1bn. The fund focused on heavily weighted issues such as Korea Electric Power and Pohang Iron & Steel.

HONG KONG lost ground on profit-taking following last week's gains. The Hang Seng index slipped 11.33 to 5,059.86 as turnover declined to HK$2.53bn from HK$3.56bn.

HSBC and Cheung Kong dominated trade, with interest in Cheung Kong fuelled by expectations of good results being reported on March 26.

NEW ZEALAND was lifted by a late rise in Telecom and Fletcher Challenge. The NZSE-40 index closed 6.80 higher at 1,458.18. Turnover fell to NZ$13.2m from NZ$16.1m.

Telecom shares rose 5 cents to NZ$2.36 and Fletcher Chal*lenge 2 cents to NZ$3.45. Corpo*rate Investments, a diversified trading company, declined 4 cents to 55 cents after reporting a loss of NZ$32.5m in its fiscal first half.

TAIWAN finished lower in light trading on political uncer*tainty after the ruling Kuomin*tang failed to reach an agreement on how to choose the president. The weighted index relinquished 16.65 to 5,012.96 as turnover fell to T$26.45bn from T$34.03bn.

AUSTRALIA surrendered *early gains after the Japanese* market dropped through 20,000. The All Ordinaries index ended a net 1.7 off at 1,586.7 after turnover of A$143m (A$161m).

MANILA ended lower in uncertain trading as Philippine National Bank started an addi*tional offer of 10.4m shares.* The composite index dipped 16.02 to 1,106.61 as turnover shrank to 42m pesos from 336m.

KUALA LUMPUR finished weaker in light trading. The composite index slipped 3.48 to *591.74 in turnover of M$94.0m,* after M$92.0m.

SINGAPORE's Straits Times Industrial index closed 1.1 per cent or 16.42 down at 1,449.66 in turnover of S$83.1m, against S$107.5m. NatSteel dropped 24 cents to S$3.96 on heavy selling *after announcing a 4 per cent* cut in its steel bar prices.

BANGKOK blamed uncertainty about Sunday's general election for a fall in the SET index of 13.30 to 792.29 in turnover of Bt4.98bn. Investors are uncertain whether reforms and policies adopted by the current government will be maintained after the election.

UK and Japan lead global equities down

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1992	% change sterling † Start of 1992	% change in US $ † Start of 1992
Austria	-1.87	-4.04	-13.14	+13.47	+12.67	+3.13
Belgium	-0.63	+2.64	-1.28	+5.41	+5.08	-3.82
Denmark	-0.36	-3.46	-2.65	-2.72	-2.84	-11.07
Finland	+0.25	-6.52	-19.65	+12.54	+11.76	+1.90
France	-0.81	+4.38	+9.65	+10.26	+10.36	+1.01
Germany	-1.12	+2.45	+5.56	+10.17	+9.57	+0.28
Ireland	-0.71	-1.93	-7.99	+3.08	+3.09	-5.65
Italy	-0.68	-3.23	-11.12	+2.44	+2.85	-5.86
Netherlands	-0.77	+0.98	+10.78	+6.67	+6.20	-2.80
Norway	-1.51	-1.75	-18.16	+1.11	+0.68	-7.85
Spain	-0.49	+1.09	-3.32	+6.62	+6.61	-2.42
Sweden	-0.17	+5.54	-5.51	+9.33	+9.66	+0.36
Switzerland	-2.00	+0.12	+11.03	+6.61	+4.73	-4.15
UK	-2.18	-1.25	+0.01	-0.06	-0.06	-8.53
EUROPE	-1.46	+0.39	+2.02	+4.37	+4.16	-4.67
Australia	-1.14	-1.83	+10.02	-4.85	+3.33	-5.43
Hong Kong	+3.52	+6.15	+42.70	+19.07	+30.64	+19.57
Japan	-3.74	-5.92	-24.76	-15.19	-13.31	-20.65
Malaysia	+1.10	-0.72	-5.60	+6.91	+23.50	+13.04
New Zealand	-0.89	-1.24	+6.05	-5.41	+4.67	-4.17
Singapore	+1.92	-3.11	-0.27	-2.48	+3.35	-5.40
Canada	-1.82	-3.35	-4.33	-1.22	+4.10	-4.72
USA	+0.40	-1.50	+9.36	-2.39	+6.63	-2.39
Mexico	-5.48	+0.60	+148.58	+19.01	+29.14	+18.20
South Africa	-0.45	-4.65	+23.05	+2.13	-8.64	-16.38
WORLD INDEX	-1.26	-2.22	-3.70	-4.26	+0.07	-8.41

† Based on March 13th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities

By John Pitt

The announcement of the general election in the UK, a further weakening in the Japanese market and a fall in Mexico helped to push the FT-Actuaries World Index down by almost 1.3 per cent on the week.

The UK government's decision to call the election on April 9, a date correctly forecast by commentators, came the day after the annual Budget statement. The Budget proposals were greeted coolly by most analysts, who also took the view that the opportunity for an interest rate cut before the election had disappeared. On Wednesday the UK market registered its biggest one-day fall since the stock market crash of November 1987.

The rest of Europe was moved more by local factors than the political turbulence in the UK.

Switzerland, which ended in a more positive mood following *a drop in interest rates, still* showed a decline as equities were depressed by higher rates ruling earlier in the week.

German stocks moved lower following depressing results from BASF and Hoechst, both of which announced dividend cuts. Only Finland managed to break the negative tone after signs that its parliament might vote to join the EC.

The fall in Tokyo, which only delayed the drop below 20,000 on the Nikkei, was not mirrored on the Pacific Basin, with Hong Kong soaring to a record high after HSBC reported an 83 per cent increase in net profits on Wednesday and said that it would not be making a rights issue. This news gave a boost to the market after fears that leading companies might be announcing rights issues. A successful government land auction also helped sentiment.

Mexico, which has been a strong performer so far this year, was hit by profit-taking and uncertainty over when the North American Free Trade Agreement would be concluded. Analysts said that they did not see the fall continuing *in the long term: since the* beginning of the year the market has shown a gain of some 19 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	MONDAY MARCH 16 1992: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	FRIDAY MARCH 13 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	142.44	−0.2	123.10	120.50	123.34	125.45	−0.1	4.40	142.66	123.51	120.43	123.61	125.63	160.31	112.74	135.25
Austria (20)	172.03	+0.2	148.67	145.66	148.96	148.81	+0.0	1.94	171.74	148.68	144.98	148.80	148.88	222.37	153.86	205.22
Belgium (46)	138.58	−0.2	119.77	117.33	120.00	117.40	+0.1	5.05	138.83	120.19	117.19	120.28	117.26	151.20	118.04	143.90
Canada (115)	128.74	−0.9	111.26	109.00	111.47	111.87	−0.8	3.31	129.87	112.43	109.63	112.51	112.75	144.28	126.49	139.65
Denmark (36)	234.85	−1.1	202.97	198.86	203.36	206.43	−1.1	1.78	237.58	205.68	200.57	205.84	208.82	273.94	217.74	252.48
Finland (15)	79.59	−0.3	68.78	67.39	68.91	75.88	−0.4	2.07	79.80	69.09	67.37	69.14	76.20	125.15	73.32	115.79
France (108)	150.74	−0.8	130.27	127.63	130.51	133.77	−0.8	3.32	151.96	131.56	128.27	131.64	134.85	156.43	119.11	140.55
Germany (65)	117.19	−0.4	101.28	99.24	101.47	101.47	−0.5	2.24	117.66	101.87	99.34	101.94	101.94	125.35	94.15	113.60
Hong Kong (55)	210.45	−0.2	181.88	178.19	182.24	209.05	−0.3	3.72	210.88	182.57	178.02	182.72	209.73	210.88	119.62	151.35
Ireland (18)	157.70	−0.4	136.29	133.53	136.55	138.83	−0.5	3.88	158.33	137.08	133.67	137.18	139.48	182.46	132.88	176.36
Italy (77)	69.97	−1.4	60.47	59.24	60.59	65.47	−1.2	3.55	70.97	61.44	59.91	61.49	66.25	88.23	64.76	83.64
Japan (473)	105.93	−1.7	91.54	89.69	91.73	89.69	−1.4	0.95	107.77	93.30	90.98	93.39	90.98	146.97	105.93	143.50
Malaysia (68)	240.20	−0.8	207.59	203.37	207.98	238.12	−0.8	2.80	242.11	209.61	204.38	209.76	239.97	250.18	189.18	239.59
Mexico (18)	1635.47	−0.5	1413.43	1384.79	1416.14	5471.71	−0.6	1.03	1644.33	1423.57	1388.13	1424.66	5504.92	1789.77	534.45	698.51
Netherland (31)	148.51	+0.1	128.34	125.74	128.59	127.09	+0.0	4.34	148.40	128.48	125.28	128.58	127.03	156.48	125.70	138.38
New Zealand (14)	45.33	+0.7	39.18	38.38	39.25	44.07	+0.9	6.22	45.02	38.97	38.01	39.00	43.67	54.84	41.18	45.57
Norway (24)	165.91	+0.7	143.38	140.48	143.66	147.33	+0.7	1.73	164.76	142.64	139.09	142.75	146.36	223.24	157.08	205.70
Singapore (38)	206.75	−0.5	178.68	175.06	179.02	158.54	−0.9	2.17	207.82	179.92	175.44	180.05	159.93	228.43	161.63	198.68
South Africa (61)	203.16	−2.4	175.58	172.02	175.91	175.88	−0.5	2.86	208.13	180.19	175.70	180.32	176.67	271.99	173.00	202.61
Spain (51)	152.25	−0.2	131.58	128.91	131.83	121.45	−0.6	4.94	152.62	132.13	128.85	132.23	122.16	171.12	131.51	169.26
Sweden (25)	182.18	+0.2	157.45	154.26	157.75	163.03	+0.3	2.79	181.80	157.40	153.48	157.52	162.49	204.12	146.60	196.81
Switzerland (59)	96.45	+0.3	83.36	81.67	83.53	90.35	+0.5	2.21	96.20	83.29	81.22	83.36	89.88	104.22	82.17	93.65
United Kingdom (233)	169.43	−0.1	146.43	143.45	146.70	146.43	−0.2	5.09	169.53	146.77	143.10	146.87	146.77	187.44	156.27	180.01
USA (523)	166.05	+0.1	143.50	140.60	143.78	166.05	+0.1	2.95	165.82	143.55	139.99	143.67	165.82	171.66	125.95	150.75
Europe (808)	140.41	−0.3	121.34	118.89	121.58	122.17	−0.3	3.97	140.80	121.90	118.86	122.00	122.59	151.52	125.50	144.38
Nordic (100)	172.28	−0.4	148.89	145.87	149.18	147.47	−0.3	2.21	172.90	149.68	145.96	149.80	147.93	200.81	155.55	190.42
Pacific Basin (717)	110.66	−1.5	95.64	93.70	95.82	94.22	−1.3	1.33	112.37	97.29	94.87	97.36	95.43	145.92	110.66	143.06
Euro−Pacific (1525)	122.80	−1.0	106.12	103.97	106.32	105.96	−0.9	2.53	123.99	107.34	104.66	107.42	106.87	147.66	121.29	143.96
North America (638)	163.69	+0.1	141.47	138.62	141.77	162.36	+0.1	2.96	163.54	141.59	138.08	141.72	162.21	169.69	125.91	149.97
Europe Ex. UK (575)	122.36	−0.4	105.75	103.63	105.98	107.86	−0.4	3.19	122.90	106.40	103.77	106.50	108.31	129.80	103.58	122.81
Pacific Ex. Japan (244)	157.41	−0.2	136.04	133.30	136.32	140.63	−0.3	3.84	157.81	136.62	133.24	136.74	141.06	158.18	111.40	136.97
World Ex. US (1719)	124.85	−1.0	107.90	105.72	108.11	108.20	−0.8	2.55	126.09	109.16	106.45	109.25	109.11	148.16	122.32	144.71
World Ex. UK (2009)	134.79	−0.6	116.49	114.13	116.72	123.96	−0.5	2.43	135.58	117.38	114.46	117.48	124.54	150.58	120.06	142.26
World Ex. So. Af (2181)	137.41	−0.5	118.76	116.36	119.00	125.63	−0.4	2.71	138.12	119.57	116.61	119.67	126.19	153.05	122.92	145.26
World Ex. Japan (1769)	155.90	−0.1	134.73	132.02	135.01	146.96	−0.1	3.34	156.06	135.11	131.75	135.23	147.09	161.90	126.69	148.18
The World Index (2242)	137.80	−0.5	119.09	116.69	119.33	126.08	−0.4	2.71	138.54	119.94	116.96	120.04	126.65	153.70	123.26	145.63

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Information Technology in Europe

SECTION III Tuesday March 17 1992

Europe's expansion as an increasingly unified trading area is fuelling hectic competition among information systems suppliers. At issue is how much of this market will be served by local industries and how much by the US and Japan, writes Michiyo Nakamoto

The barriers are falling

THE European information technology industry is looking forward to a number of benefits from the creation of a single European market. It assumes that:

- The market will spur demand for information and communication systems capable of spanning national borders as barriers fall and businesses take advantage of the enlarged market.
- Corporations will rely more on information systems to disseminate information across the wider business networks.
- Financial institutions will boost their IT capability to provide pan-European banking and other financial services.
- Demand for mobile telephones will surge as travel throughout the EC increases and as users become able to communicate with the same mobile handset from anywhere in the Community.
- Manufacturers will be encouraged to adopt computer-integrated manufacturing, computer-assisted design and other systems as competition in many sectors intensifies.

This, at least, is the rosy picture being painted by the IT industry. It has lured the world's leading IT manufacturers, from the fast-moving computer groups of the US to the large, integrated electronics giants of Japan, to set up bases within the EC.

Europe will be the largest market in the world and foreign manufacturers have been making huge investments to take advantage of the opportunities on offer.

European manufacturers, for their part, are struggling to regain the initiative in the marketplace, fearful of losing their growing home market to outside competition.

As the foreign presence within their borders has come to be felt even more strongly than before, European electronics and computer manufacturers have been forced to accelerate moves to turn ailing businesses round.

They are being forced to question the narrow insularity that has made it difficult for companies from one European country to collaborate closely with those from another and to examine the barriers of custom and practice that have made it virtually impossible for a whole range of information technology products to find a Europe-wide market with the economies of scale that implies.

The Community has, however, faced a growing dilemma over whether to continue to support an interventionist approach that aims to create national or European "champions" or to opt for strategies based more on commercial and business considerations. The signs from Brussels are that patience is growing thin with organisations that look for subsidies as an aid to competitiveness.

Pumping money into uncompetitive businesses or merging weak European partners is now recognised as unlikely to produce an effective champion. European companies, too, have often seen greater benefits for themselves in alliances with the stronger technologies of US or Japanese companies.

In the semiconductor industry, hopes for the formation of a strong European manufacturer through the merger of a number of leading groups were abandoned when Siemens of Germany agreed a memory chip venture with IBM.

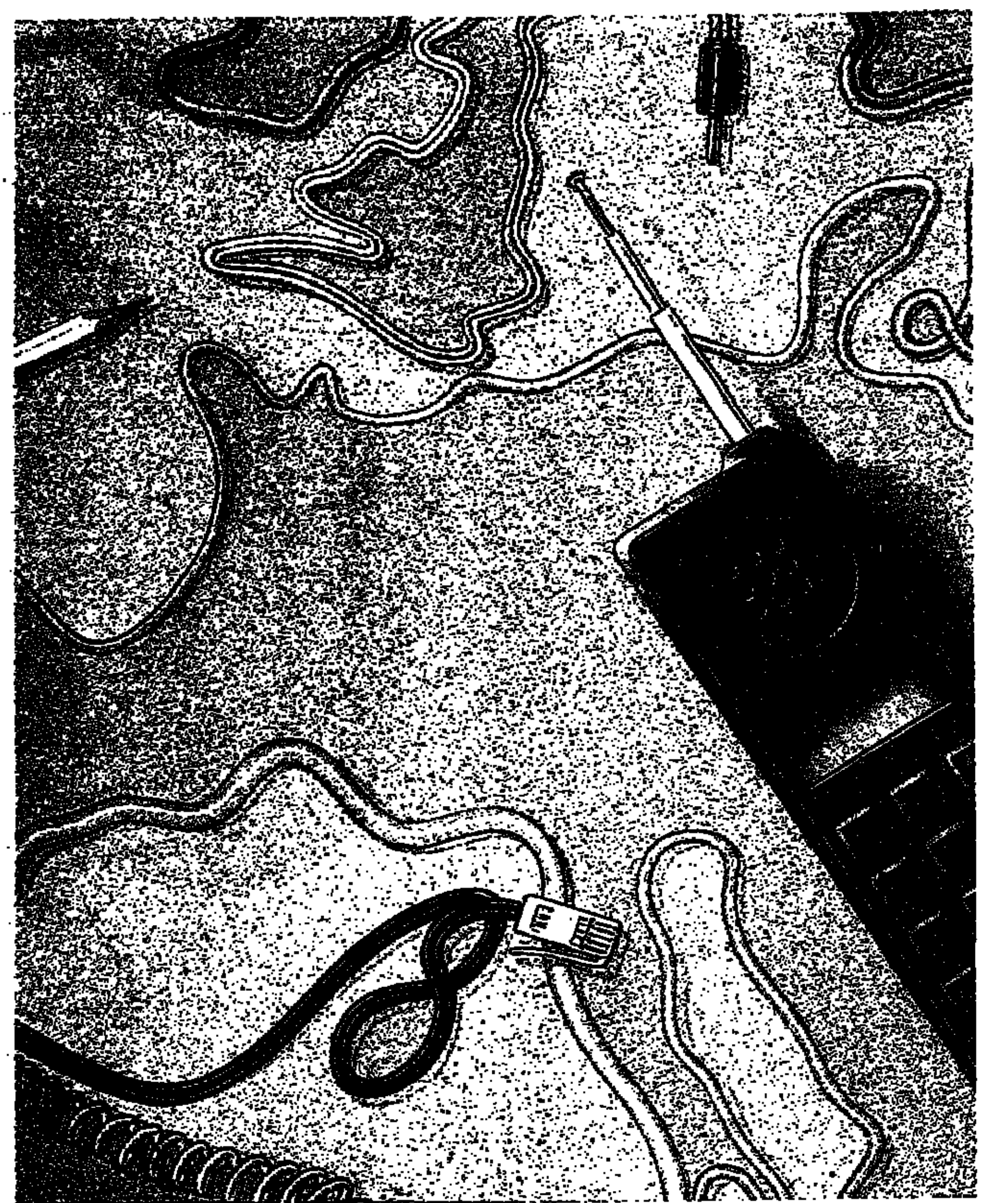
The remaining groups were left to seek strategic alliances and partnerships to suit their own particular needs. Late last year, Bull, the French computer maker, also reached a partnership deal with IBM.

Thomson, the French electronics group, meanwhile, is being compelled by its government owner to take a rather odd turn down the industrial policy route. It is threatening to force it to merge with CEA-Industrie, the state nuclear and fuel business.

Despite this particular setback, Europe's indigenous capability in IT is still being sought in a less dramatic way by manufacturers throughout the Community as well as the Commission.

Partnerships between semiconductor manufacturers have been formed, such as that between SGS-Thomson and Philips on the next generation semiconductor technology and between SGS-Thomson and GEC Plessey in semi-custom chips used by the telecommunications and computer industries.

The European-owned computer manufacturers are striking a variety of deals and alliances to give them, first, access to technologies which are not available from European suppliers, and second,



expanded markets for their products. Volume sales are now critical for computer companies which have seen the profit margins on their systems collapse, driven by the widespread availability of industry-standard components and a trend to "downsizing" – using smaller, lower costs systems to carry out tasks previously carried out by mainframes or minicomputers – among their customers.

Siemens, of Germany a powerhouse of the European electronics industry, is the owner of Nixdorf through the joint venture Siemens-Nixdorf Information Systems, but has an alliance in mainframes and supercomputers with Fujitsu of Japan. It has recently sold its share in Comparex, which distributed Hitachi mainframes and other computing equipment in Europe, to its co-owner BASF.

Groupe Bull of France, a heavy loss maker in recent years, is beginning to regain credibility with its broad ranging deal with IBM – it gets access to IBM's advanced chip technology for personal computers and workstations which in turn gives IBM greater sales potential for its chips.

Olivetti of Italy has yet to seal a wide-ranging alliance with either a US or Japanese supplier, but it works closely with the major technology suppliers including Intel and Microsoft and supplies Digital Equipment of the US with personal computers.

Joint R&D efforts under pan-European programmes such as Esprit and Eureka continue under the umbrella of the EC's "framework programmes," which receive a budget covering five years work from the Commission. The latest framework programme was agreed last month with a Community budget that will be worth Ecu86bn annually.

Meanwhile, the European Commission itself has had to balance the demands of the interventionists and its commitment to the rules of competition and free trade.

The situation has, at times, resulted in an uneasy compromise. Pressure from manufacturers and concern about building a European capability in high definition television (HDTV), for example, led the Commission to set up a standard and agenda for HDTV that aims to further the European industrial cause.

As a result, the European HDTV programme has been delayed unnecessarily and the Commission's goal of nurturing indigenous industry could prove to be at the expense of the consumer.

In the end, with or without intervention, "the market itself will determine success or failure," a point recognised by Dr Joan Majó Cruzate, adviser at the Commission.

It is in the enlarged European marketplace that IT manufacturers will have to face most directly their overseas competitors, many of whom react with frank scepticism to continued talk in Europe about investment aid from the Community and national subsidies.

"Subsidies and government support are not what make winners," says a US semiconductor group.

How fast the single market in information and communication is realised will depend largely on the willingness of the individual governments to implement the necessary changes. There are still substantial obstacles to be overcome before the full benefits of integration can be enjoyed.

As competition in the European IT industry intensifies over the next few years it could yet trigger renewed cries for protection from the region's beleaguered manufacturers. That, in turn, could delay the benefits to the Community.

IN THIS SURVEY

Jacques Stern, visionary of Europe's electronics industry

INFORMATION TECHNOLOGY IN EUROPE 2

Trevor Humphries

Former Groupe Bull chairman Jacques Stern: predicting the developments is easier than saying when they will happen

Alan Cane talks to a fervent believer in Europe's potential

'We can still catch them'

JACQUES STERN, former chairman of Groupe Bull and doyen of French computer industry executives, embodies the hopes, ambitions and contradictions of the European information technology industry.

He believes passionately that Europe can, despite its current weakness in data processing markets, catch up with the US and Japan if it puts the right technology policies in place. He remains steadfastly optimistic about Europe's potential despite years of failing to cajole its major firms to work together.

And he is sharply critical of initiatives that spend public money on programmes that he believes are destined to fail.

He is concerned, for example, about Esprit, the European Commission driven programme in precompetitive research designed to give European companies experience in working together.

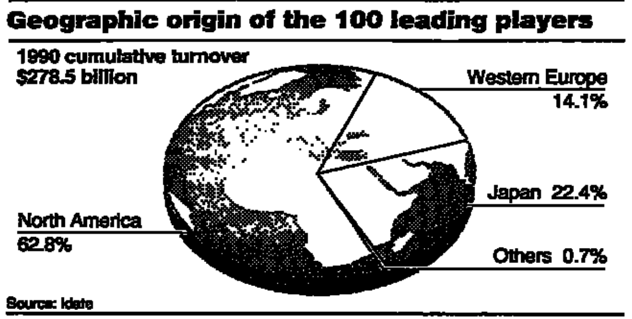
He explains that when Viscount Etienne Davignon, EC vice president from 1977 to 1984, initiated the community's R&D framework for IT, he saw Esprit as the first step towards a European industrial policy for IT.

Davignon had failed to persuade the leading electronics companies to work together on product planning, production or marketing. Still fiercely independent, they were afraid of letting rivals in on their commercial secrets. So Esprit was launched as a pre-competitive vehicle in the hope that working together in research might inspire collaboration closer to the market.

That hope was never fully realised and, with time, the gulf between research and the market has widened.

At that time Davignon was Commissioner for both research and industry. Today, research and industry report to two different Commissioners. "Esprit is not at fault, neither are the people managing the programme, who are doing a good job in Brussels. But governments can question spending large amounts of money from one precompetitive program to another if there is no

Geographic origin of the 100 leading players



Source: Idate

industrial application. The final goal of Esprit must be to bring in cooperation innovative and competitive products to the markets that serve real needs."

The second phase of the Esprit programme, finishing this year, represents a Community investment of more than Ecu3.2bn.

Mr Stern now heads the Advanced Computer Research Institute, a small research organisation based in Paris.

He is unwilling to talk about his research, fearing the moment is not right to reveal progress, but he is known to have an abiding fascination with the development of supercomputers, which he likens to the creation of a Formula One racing car.

The emphasis, he points out, is on doing everything faster. Just as competition improves the breed, so techniques developed for supercomputing eventually filter down to more mundane levels of computing: "If you are not active in this market, you lose these skills."

Supercomputing is also a market controlled by US and Japanese companies. By the turn of the century, Mr Stern worries, there will be more supercomputers in Japan than in the US, with Europe trailing hopelessly if nothing is done.

Supercomputers will soon be used for many commercial tasks including the design of automobiles and aeroplanes and buildings where their ability to "visualise" structures and forces in three dimensions can improve quality and shorten design cycles.

Much of what Mr Stern advocates these days turns around the idea of conserving Europe's information technology skills for the future – a holding operation while the community thrashes out an effective industrial policy for electronics.

He sees a powerful opportunity with the advent of open systems, the emergence of hardware and software from different manufacturers that works easily together.

He believes that all new computer products will soon be based on standard microprocessors of the risc variety. Risc, or reduced instruction set computing, is a technology which trades off simple microprocessor chips against complicated operating software. The result can be very fast chips which, linked together in networks, generate enormous processing power. The advent of risc and open systems is proving one of the few major disjunctions in a business which, despite the rate of change, is often predictable.

Mr Stern says: "It is easy to forecast what is going to happen: the difficulty is to say when."

There are only a handful of risc chip designers – International Business Machines, Sun Microsystems, Mips, Hewlett Packard as well as Intel, Motorola and Digital Equipment. Groupe Bull has recently signed an agreement with IBM which gives it access to the computer giant's risc technology, a deal which Mr Stern believes was both fortunate – IBM was seeking new markets for its risc technology – and essential.

Without a source of risc technology, Bull would have been cut off from the leading edge of open systems developments. There are a number of prerequisites for success in risc. First, considerable expertise in the design and fabrication of microprocessors. Second, experience in the kind of complex software – optimising compilers – which makes the best use of the advantages of the risc chip. Third, volume sales to give economies of scale.

Mr Stern suggests that short term alliances with the US manufacturers of risc technology could give European suppliers a breathing space to devise ways to collaborate on the development of indigenous risc processors.

But with Europe's semiconductor manufacturers in disarray and trailing behind the US and Japanese producers, has not Europe missed the bus on chip manufacture? Mr Stern is unambiguous: "You cannot drive innovation if you do not control the hardware."

European electronics may be sickly, but it has hidden strengths, he argues. There is, for example, software engineering, an area where European companies are equal to any in the world.

Software engineering involves the development of methodologies, technologies and software which make it simpler to write computer programs. Software productivity has become a key issue in business with projects notoriously overrunning on time and budget.

Software engineering, which essentially aims to turn program production from art to engineering discipline, has a key role to play in improving matters.

Mr Stern's prescription to return Europe to health involves a strong lead from Brussels with the full support of the national governments of the community.

It would strengthen Europe's indigenous players through alliances with companies overseas, while seeking ways to help small, innovative companies.

It is some years since Mr Stern has publicly set out his ideas on the rejuvenation of the European industry, but time has dulled neither the urgency nor the content of the message.

Paul Taylor investigates why the trade gap is widening

Strategies which yield inadequate results

EUROPE'S semiconductor manufacturers have been forced to play a desperate game of catch-up with their Japanese and US rivals, computer makers are struggling for survival, and the consumer electronics groups have yet to show that they can translate big spending in the laboratory into timely commercial products.

These problems are not new. In November, 1988, the European Commission presented its first report on the state of science and technology in Europe and concluded that Europe was still gripped by technological dependency in key areas.

The report said that in spite of a dramatic increase in research and development spending in Europe, Japan and the US were well ahead in terms of the amount of R&D spending, the number of research scientists and engineers, and in successfully enticing the private sector to invest in R&D. It then identified three main targets for research, improving competitiveness, improving quality of life and concentrating on basic research.

ICL-Fujitsu unveils new office computer and workstations

In their attempts to revitalise Europe's flagging IT and electronics sectors Europe's policy makers have consistently emphasised R&D. In particular, they have encouraged IT companies to pool their R&D efforts, particularly in the area of "pre-competitive" research.

This policy is set to continue with the EC planning to spend Ecu5.7bn between 1990 and 1994 to support research and development, 40 per cent of it

Brussels wants to concentrate joint research and development on fewer larger schemes

on collaborative research in IT. The Commission wants to channel this money into fewer, larger schemes, but complains that its spending is diffused because its member governments each insist on a share of the pie.

There is no doubt that companies have rushed to join EC-subsidised research programmes such as Esprit and Race as well as pan-European programmes like Eureka which includes costly flagship projects such as the Joint European Submicron Silicon Initiative (Jessi) and the High Definition Television (HDTV) project.

UK estate agent studies property photos accessed from Paris by phone

But there is a continuing debate over whether the EC has got its R&D strategy right, not least because the results are at best inconclusive – and there seems to be much more research than *development* of commercial products and processes, something Europe has recently fallen down on. Last year, the European Court of

Practical commercial developments have not kept pace with the research efforts, say the EC auditors

Auditors joined the fray arguing that in spite of Ecu5.4bn spent on research between 1987 and 1991 only a small fraction of research work had resulted in concrete applications.

The Court of Auditors report recommended diverting more funds into the practical application of research and reorganising the manner in which research findings are disseminated. Supporters of the EC strategy, however claim that although EC funding for European collaborative research is tiny compared with many national, or even some corporate R&D budgets, it has encouraged the European IT industry to increase its R&D spending significantly.

Nevertheless, the performance of the Europe's indigenous IT and electronics industries has shown little improvement. Europe's IT trade deficit has continued to deteriorate in the past decade, most of the region's large computer and semiconductor companies are losing money, their share of the global IT market is disproportionately small and falling, and despite higher R&D spending there are still very few developing product markets in which European electronics companies can claim to be world leaders.

Europe's large semiconductor companies, Philips of Holland, Siemens of Germany, and the French/Italian SGS Thomson, produce only about 10 per cent of the world's output of chips and are dwarfed by their US and Japanese rivals. All three continue to be heavily subsidised in their efforts to catch up in chip technology and Siemens has now turned to IBM as a partner to develop 64Mb D-Rams, the next generation of memory chips.

Similarly, nearly all the large European computer companies are in financial trouble because of falling sales, increased competition, the high cost of research and development, and demands from larger customers for open systems which yield inherently lower gross margins than proprietary systems.

In Europe, the situation has been worsened by the plethora of small national markets, which has made economies of scale difficult to achieve, and a tendency to support "national champions" which has hampered collaboration and co-operation.

The sale of a controling stake in ICL of the UK to Japan's Fujitsu in 1990 effectively ended any hopes for a pan-European coalition which might have linked ICL with the other leading players – Siemens Nixdorf of Germany, Groupe Bull of France and Olivetti of Italy.

By 1995, according to some estimates, the European-owned full-line computer makers could have less than 7 per cent of the worldwide market for data-processing equipment, compared with just over 10 per cent at present.

As Groupe Bull's recently announced technological and marketing agreement with IBM indicates, it is probably only a matter of time before they are forced into strategic alliances with foreign competitors to ensure their survival – but at the expense of their independence and national identity.

Inadequate home demand has been blamed for the industry's weaknesses, including its difficulties in producing innovative products. Although Europe's spending on IT has been rising, it is still lower per head than in the US and Japan, and large European information systems users are notoriously cautious about pioneering leading-edge applications.

Brussels is now considering plans to boost demand by persuading national authorities jointly to back a plan hatched by the big European computer companies for a multi-million-dollar computer network to span Europe. The intention is to provide both an IT infrastructure for the Continent and at the same time provide a boost for the ailing computer companies.

But there are already doubts about whether the large contracts it would generate could legally be reserved for the European-owned suppliers it is intended to benefit, and whether it would not simply repeat at the regional level European countries' largely unsuccessful use of public procurement to bolster national champion suppliers.

A similarly gloomy picture emerges in Europe's consumer electronics industry where competition has dramatically shortened product cycles. In order to compete, therefore, companies must get innovative products out of traditional R&D labs and into the marketplace fast. The need to address

Philips' progress is being monitored as a barometer of the whole European electronics industry

this and other pressing challenges, like responsiveness to customer demand, has now been recognised in some European boardrooms.

Philips has just announced it managed to swing back into profit in 1991 following the record Fl4.24bn loss sustained in 1990 which prompted an ambitious restructuring including the sale of non-core businesses, and the re-focusing of the company's technological strengths on new consumer products.

In order to maintain a foothold in the fiercely competitive global consumer electronics marketplace Philips has been investing heavily in the three emerging technologies of Digital Compact Cassette (DCC), High Definition Television (HDTV) and, in conjunction with Sony, Interactive Compact Discs (CD-I).

The Dutch group's performance is being carefully watched as a barometer of Europe's electronics industry.

As one of the few remaining diversified European electrical and electronics companies, Philips is a champion of a cause – the maintenance of an independent European capability in electronic technologies.

The only electronics equipment sector in which Europe consistently boasts profitable world leaders is telecommunications, where the long established monopoly procurement of network equipment in most countries shelters entrenched suppliers from competition and maintains high margins.

Two other possible growth areas for European IT are custom-chips, and the parallel processing field in which European companies are believed to have an edge.

Europe is also well represented by software development houses and IT service companies. There are some 13,000 computing software and services companies in Europe and, if the region has a future in IT, it probably lies with these companies rather than the troubled giants of the hardware business.

As Mr Vittorio Cassoni, Olivetti's managing director, said recently when referring to Europe's weakness in computer technology, the Commission should not spend money trying to catch trains that Europe had already missed.

What is certain is that competition for indigenous European IT companies will intensify, and that US and Japanese companies will continue to be active in establishing plants in Europe.

If Europe's industrial strategists fail to halt the decline, the future of European IT and electronics may rest in these foreign owned plants.

INFORMATION TECHNOLOGY IN EUROPE 3

The impending Single Market gives new urgency to standards harmonisation, writes **Paul Taylor**

Square holes for square pegs

THE CONCEPT of Open Systems has won powerful proponents among users and suppliers over the past decade and has helped thrust standard setting for Information Technology out of obscurity and into the limelight.

Now the impending arrival of the Single European Market and accompanying moves to harmonise regulations and practices across Europe has given added impetus to standard setting in all fields and led the European Commission to try to streamline and hasten the process.

This, coupled with the faster pace of technological change, is putting pressure on standard setters to anticipate developments and not just pick the best from the past. Mr Chris Cheetham, chief executive of DISC, the part of the British Standards Institution (BSI) responsible for Information Systems standards, says that "users are increasingly reluctant to use new technology if there are no suitable standards".

The idea behind Open Systems in information technology is deceptively simple.

In an Open Systems environment, IT hardware is built to a set of common standards so that equipment from one manufacturer can work with equipment from another, and software can be easily moved from one machine "platform" to another.

Today, there is little dispute, in Europe at least, that Open Systems standards lie at the heart of users' future ability to integrate and fully exploit information technology systems in every sector of commerce and industry – from cross border mobile telephones to networked computers and database structures.

The pressure from IT users for Open Systems began in the early 1980s after General Motors told its suppliers to meet a protocol based on the Open Systems Interconnection (OSI) standard developed by the International Organisation for Standardisation (ISO).

European users and computer suppliers were also among the early advocates of Open Systems which they saw as a means to loosen IBM's grip on the mainframe equipment market and provide an alternative to IBM's Systems Network Architecture (SNA) which had become a *de facto* standard. Under pressure from users IBM itself has now swung firmly behind Open Systems.

Tony Jeffree, a principal consultant with Sema Group Consulting, sees Open Systems developments as the product of two relatively recent developments:

Route planning for UK mail vans cuts delivery costs

● the IT consumer's realisation "that the availability of standards-based IT products can break the strangle-hold once exerted over them by the fact that interconnection and interfacing techniques were incompatible between different manufacturers' equipment. The availability of products based on Open Systems standards provides them with a better choice of equipment, and with the protection of their investment against the potential hazards of single-sourcing."

In the mid 1980s, the EC decided that big national IT contracts should meet Open Systems standards

● the realisation by the IT supplier "that the wide use of Open Systems standards actually has the effect of increasing the size of the potential market for IT products, and that this more than compensates for the fact that the open nature of the *standards does not 'lock in'* their customer base".

Nevertheless, implementation of the Open Systems concept has brought problems as well *as solutions*. Because Open Systems reduce computing equipment to a series of commodity products, price becomes a dominant factor in purchasing decisions and fierce price competition is one factor behind the recent sharp downturn in most major computer manufacturers' financial fortunes.

In Europe, the move towards Open Systems was given further impetus by the EC's decision in the mid 1980s that member governments' major public sector IT contracts should be based on Open Systems standards. This led to the development of the Government information systems profile (Gosip) in the UK, and equivalents elsewhere in Europe.

Profiles select from the options within a set of standards and ensure that IT suppliers make OSI products which are compatible with each other.

Since the public sector is a major IT purchaser, Gosip and the European Procurement Handbook for Open Systems, Ephos have become very influential in determining the implementation of standards. Indeed many industry observers argue that standards have become the single most important issue in European IT.

They suggest that the increasingly widespread adoption of Open Systems means that those responsible for setting *standards have assumed* great power.

As a result there has been a proliferation of user groups seeking to ensure their voices are heard and needs are met, and of supplier groups who try to influence those standards that concern them.

Predictably this proliferation has alarmed some of the older Open Systems groups who argue that it causes unnecessary duplication.

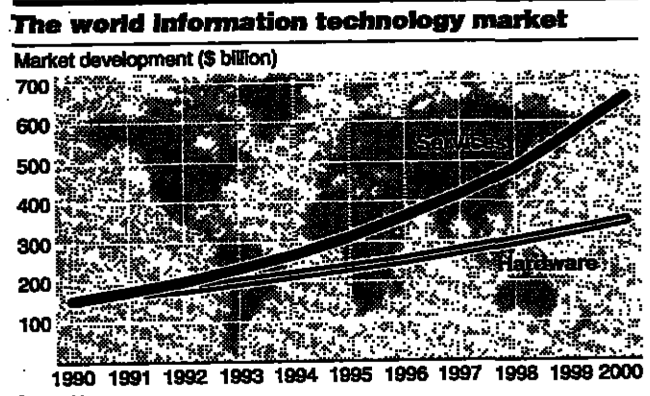
Rivalry also developed between groups supporting different versions of Unix, the software language which has become closely associated with Open Systems.

Competing versions of Unix are available from several suppliers including Unix International, which helped establish the Unix version from AT&T Unix System Laboratories (USL) in the market, and Open Software Foundation which developed a Unix version called OSF/1.

A choice of systems: Chelsea Pensioners Frederick Smith and Richard Nichols keep their telephone lines uncrossed

The world information technology market

Market development ($ billion)



Source: Idate

Arguably, rivalry between the two organisations has delayed more widespread adoption of Unix.

But there are now strong signs that the two groups are moving closer together, in part as a result of pressure from X/Open which was set up by suppliers in an effort to bring together enough standards to cover all the basic functions of Open Systems under a common application environment (CAE).

The "Unix wars", as they have been called, may be close to resolution, but they have underlined the fact that standardisation itself is not without problems.

"A good standard must be widely acceptable both to the customer base and to equipment suppliers," says Tony Jeffree, who has direct experience with standards development in ISO and the Institution of Electrical and Electronic Engineers (IEEE).

"To achieve this the standard must address a wider set of requirements than is usual in equivalent proprietary solutions. "This leads to inevitable conflicts and trade-offs between versatility and complexity, and occasionally to the worst of all solutions, which is complexity without versatility," he says.

Present UK policy has cut Department of Industry support for standardisation to a very low level

He argues that a good standard must also have an eye to future requirements, sometimes resulting in the standardised product being less competitive in the short term. A good example of this effect is the current rise of TCP/IP, a set of networking protocol standards originally developed for use by the US Defense Department's "Arpanet" network.

TCP/IP is widely available, works, and is simpler than the corresponding OSI offering. However, it was designed in the days when it was reasonable to assume that any one organisation would own a handful of computers, and the total number of subnetworks in the world that would require interconnection would be numbered in the 100s or 1,000s.

Such assumptions, although ludicrous now, resulted in TCP/IP being implemented with severe addressing limitations that prevent its use as a global networking solution, and will probably relegate it to the status of a local area networking protocol before long.

But Tony Jeffree argues that the most serious problem with standardisation at the moment is the impact the worldwide economic slowdown/recession is having on the ability of both supplier and user organisations to participate in the standard setting process.

"Manufacturers of IT equipment are cutting back on their standards budgets, similarly user organisations, which have never been well represented in the standardisation process, are finding it increasingly difficult to participate," he says.

"In the UK, government departments, particularly the DTI, have traditionally been a considerable source of support for standardisation activities, but present policy has reduced DTI support for OSI standardisation to an extremely low level. "Given the potential importance of the IT sector in helping to bring us out of the recession, this must be viewed as a dangerous trend."

Although Open Systems standards are usually associated with the computer sector of information technology, the urgent need for widely accepted standards is apparent in many other IT and consumer electronics sectors. For example, it was the need to develop common European telecommunications standards which led to the formation of the European Telecommunications Standards Institute (Etsi) in 1988.

More recently the difficulties faced by the EC in defining a standard for high definition television (HDTV) have served as a timely reminder that in some areas of European standard setting national politics and industrial rivalry *still play* a major part.

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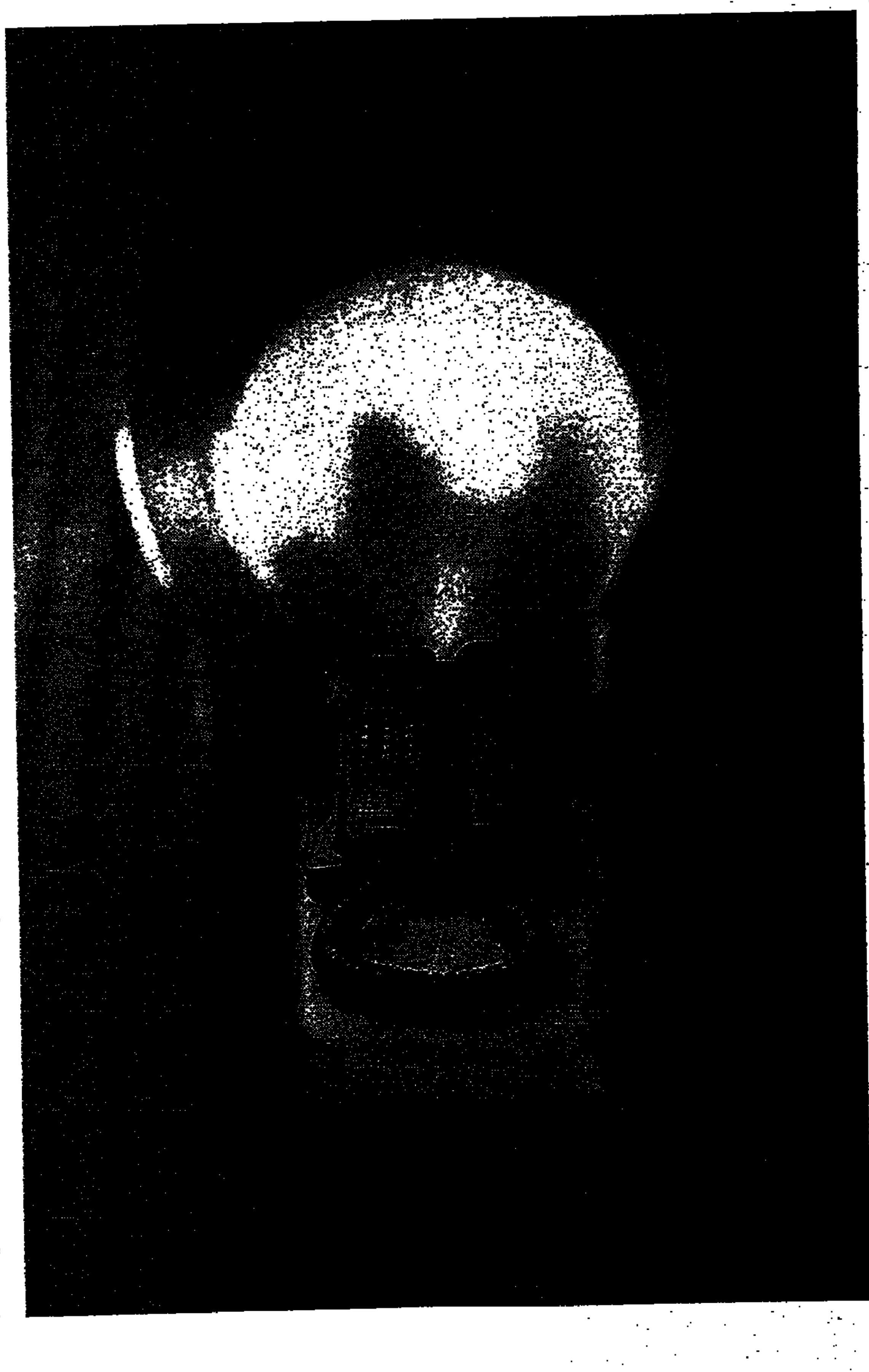

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Companies must join forces to ensure survival, writes **Alan Cane**

An era of global alliances

THE past few years have witnessed a rash of alliances between information technology companies worldwide as they seek greater economies of scale, more effective methods of product distribution and better ways to defray the ever increasing costs of research and development.

For European IT companies, such alliances are an essential element of their efforts to remain in contention with their US and Japanese rivals.

Most of the technological building bricks of the IT revolution are not of European origin. Personal computer microprocessor technology is the province of the US companies Intel and Motorola.

With the exception of Inmos, a subsidiary of SGS-Thomson, no European company has developed a commercial reduced instruction set computing (risc) chip, the heart of high performance workstations. The Inmos chip, the transputer, is now being considered by IBM for certain functions in the personal computers and workstations. Operating software is developed by US companies including Microsoft (MS/DOS; NT/Windows) and Apple.

European companies have been involved, however, in moves to create a standard operating system based on AT&T's Unix. Logica, the UK computing services company, was involved in the Santa Cruz Operation's version of Unix; Siemens of Germany and Groupe Bull of France are founder members of the Open Software Foundation, formed to develop open systems products and technologies.

European IT companies are small, insular and tied to their home markets. Global alliances offer them access to technologies and markets that would be otherwise expensive or unattainable. Siemens, for example, a company with excellent technological skills, is working with International Business Machines, to develop the next generation of high density semiconductor memory which will compress 64m bytes of storage on a single chip.

Olivetti has long maintained a close working relationship with Intel and with Microsoft which has enabled the Italian company to enter the market quickly with, for example, advanced workstation technology. Now all serious computer companies understand the importance of maintaining an alliance with the key chip manufacturers, in order to keep the technological leading edge and to share research and development costs.

IBM, for example, has formed an alliance with Apple Computers and Motorola to develop new microchips, based on IBM designs, which could form the heart of the next generation of personal computer and workstations.

Groupe Bull has in the past two months signed a far-reaching technology agreement with IBM, part of which provides for the French company to take part in the joint chip development programme.

Bull will be much more than a customer for the new chips, according to Mr Bob Dies, director general for products and systems at IBM Europe. It will be intimately involved in the design and will take much of the responsibility for developing a multi-user versions of the chips, a technology known as "symmetrical multiprocessing" in which Bull has profound expertise.

The most dramatic example in recent years of a global alliance involving a European information technology company has been the merger between ICL of the UK and Fujitsu, Japan's leading computer manufacturer.

The relationship between the two companies stretches back to 1981 when ICL, struggling to return to profitability, signed an agreement with the Japanese company, giving it access to technology which it could not afford to develop on its own.

Since then, a careful market focus and sound housekeeping have resulted in ICL remaining Europe's only consistently profitable computer manufacturer.

The takeover by Fujitsu – the Japanese company holds 80 per cent of ICL's stock – was nevertheless essential to provide ICL with long term credibility in an increasingly hostile market place. The purchase of the computing interests of the Nokia Group of Finland, financed by ICL from its own resources, was further evidence of ICL's rising star – the "halo effect" as Mr Peter Bonfield, ICL chairman and chief executive, describes it.

ICL has become part of Fujitsu's worldwide family of wholly owned and partly owned companies which include Amdahl, the US mainframe manufacturer, Poqet, a US maker of handheld computers, and Hal, a US specialist in advanced computing technologies. Since the takeover ICL has:

- Provided Fujitsu with workstations and personal computers for sale in both Japan and worldwide markets;
- Begun to work on some elements of the technology for Fujitsu's mainframe computers – as Fujitsu is regarded as the world's best mainframe designer, this is an indication of the regard in which the UK company is held;
- Formed three new companies with Fujitsu, in two of which it will be majority shareholder and senior partner. In the US, for example, both companies are strong in retail systems. The new joint company, Fujitsu-ICL systems, will have about 2,000 employees and sales of $350m (£200m). It will be third to IBM and NCR in the US retail market.

Alliances are not confined to the computing hardware business. Cap Gemini Sogeti, Europe's largest and most successful computing services company, last year signed a wide ranging agreement with Daimler Benz, the German industrial group, worth FFr2.4bn ($406m) through which Daimler Benz will take a 34 per cent stake in Sogeti, CGS holding company. The idea is that the two companies will cooperate, at first in Germany, but later elsewhere in Europe, the US and the Far East as a method of helping both companies broaden their product ranges and expand their computing services.

Late last month, CGS announced a wide ranging cooperative deal with Volmac, a Netherlands-based services group in which it already held a small stake. The new holding group will be two thirds owned by CGS and one third by the World Software Group, Volmac's holding company. CGS has been involved in some 20 acquisitions in recent years.

Further consolidation and cross border alliances seem inevitable as the computer industry becomes increasingly a commodity business where volume sales will be essential to adequate profit margins and where services will increasingly be the principal way of adding value.

MAIN MERGER-ACQUISITIONS SINCE 1986

Date	Acquirer	Target Company
1986	Burroughs (US)	Sperry (US)
1987	Memorex (US)	Telex (US)
	Bull (France)	Honeywell Info. Systems (US)
1988	Prime (US)	Computervision (US)
1989	SMT-Goupil (France)	Normerel (France)
	Hewlett-Packard (US)	Apollo (US)
	Mitsubishi (Japan)	Apricot (UK)
	Bull (France)	Zenith Data Systems (US)
	Siemens (Germany)	IN2 (France)
1990	Siemens (Germany)	Nixdorf (Germany)
	Fujitsi (Japan)	ICL (UK)
	AT&T (US)	NCR (US)
	DEC (US)	Philips micropuling div. (Neth.)
	Fujitsu (Japan)	Nokia Data (Finland)

Source: IDATE

ICL's Bonfield: halo effect

Research is a red-hot issue, says **Paul Taylor**

Shrieks over Eureka

EUROPEAN collaborative research programmes have always generated controversy. They have been hailed by their supporters as critical to maintaining the competitiveness – if not the very existence – of indigenous European high technology industries, and sometimes dismissed by critics as an expensive waste of misdirected money.

Although collaborative research is often viewed as a recent development, the first joint European research and development project began more than 25 years ago – into nuclear energy under the 1956 Euratom Treaty.

But the real surge in joint European R&D began in the early 1980s with the Community's first R&D "framework programme" (1984-87) which extended joint research activities to cover a broad range of areas, and which has been followed by three subsequent programmes.

The fourth and latest was agreed early last month when the EC's 17 commissioners approved an overall Community budget for the next five years which will be worth Ecu 86bn (£61bn) annually by the time it comes up for renewal in 1997. Some Ecu6.9bn will be available for "internal policies", including research and development.

Exactly how it will be spent has yet to be decided as the Community is only just getting round to handing out the Ecu5.7bn earmarked under the third framework programme for the 1990-94 period, some 40 per cent of it for information technology.

EC funding under "framework programmes" is designed to support cross-border consortia carrying out pre-competitive research – projects with long lead times which will help underpin innovation in European high technology industries. EC funding normally covers up to 50 per cent of project costs.

The fourth framework programme, which officials are now working on, will probably be divided into six strategic areas which in turn will be split into specific programmes such as information technology (Esprit) or biotechnology (Bridge).

Esprit, which was launched in 1984 and is probably the best known of the EC joint research programmes, sponsors collaborative research in information technology and is itself subdivided into four areas plus basic research which aims to "enhance the potential for future technological breakthroughs in IT". The four areas are:

- microelectronics, aimed at strengthening the Community's capability to design and manufacture leading edge integrated circuits, particularly Application Specific Integrated Circuits (Asics);
- software engineering and information processing systems – aimed at increasing software productivity and applying software intensive systems design and engineering to user needs;
- advanced business and home systems and peripherals aimed at developing user-friendly systems for offices and "intelligent" homes.
- computer-integrated manufacturing and engineering aimed at demonstrating how the manufacturing and engineering industries can benefit from the application and integration of IT products and processes.

The EC's fourth framework programme is also likely to overlap with its predecessor, which finishes in 1994 and could prove to be the most controversial target of Community-funded research yet, with advocates of an interventionist EC industrial policy on one side and the free-marketeers on the other.

The standard application procedure for EC funding usually lasts 18 months

Eureka, a pan-European research programme which involves the 12 EC member states, seven other European nations and the EC Commission itself, already provides a forum for the funding of more market-oriented projects.

It was originally launched in 1985 by French President François Mitterrand as a response to President Ronald Reagan's Star Wars research. Eureka operates out of a small Brussels secretariat and is restricted to civilian research through which it hopes to improve the competitiveness and productivity of European businesses by encouraging cross-border co-operation.

Since its inception Eureka has acted like a high-tech dating agency – finding research partners for companies which approach it with an idea. For funding the partners can go to their governments or to the EC, which offers financial support for the pre-competitive aspects of Eureka projects.

Eureka is designed to complement rather than compete with the EC's top-down projects, encouraging products and ideas which should have a market application worldwide. Sceptics initially dismissed the Eureka initiative. However, it has helped launch more than 450 projects, with a total budget of nearly Ecu10bn.

These include the Joint European Submicron Silicon investigation (Jessi) into advanced microchips, (participants included Britain's ICL until it was acquired by Japan's Fujitsu and its partners threw it out of three Jessi projects), and which may have cost more than Ecu3.8bn by the end of its seven-year span in 1996. Another is the European research project into High Definition Television (HDTV).

Last year, an assessment of Eureka's first five years by a panel of industrialists, academics and civil servants praised the flexibility of the programme's approach as one of its principal advantages, but noted that "strategic projects which would give Europe an additional competitive advantage have not materialised on a large scale". This, says the report, should be one aim for Eureka's next five years.

The panel also identified several other problems. These included confusion over the relationship with EC projects, compounded because some in Brussels would like to see funded research become more closely geared to the market. Eureka participants also complained that although applying for and obtaining Eureka approval is fairly simple, projects often get swamped in bureaucracy when it comes to arranging funding.

The major difference between Eureka and the directly subsidised EC research programmes is that while Eureka projects do not conform to a set strategic plan the scale and direction of EC research funding can be assessed in advance. In addition there is a standard procedure for applications for EC research programmes which usually lasts about 18 months.

Other important EC funded programmes include the Research and Development in Advanced Communications in Europe (Race) which was set up in 1985 with the aim of establishing a strong EC manufacturing industry in broad-band communications and to accelerate the emergence of a competitive Community market for telecommunications equipment and services.

So far, most EC funding has focused on expanding R&D, emphasising mainly pre-competitive collaborative projects intended to boost European companies' technological firepower. Advocates argue that, whatever its shortcomings, this constitutes the most efficient policy instrument for the EC to promote competitiveness in European industry and they point to the figures which show that Europe's IT companies have doubled their spending as a result. They add that new technological developments today – such as the next generation of semi-conductors – are too costly for one company to do the research alone.

But critics counter that EC subsidies have been too thinly spread to be effective. More fundamentally, some argue that they do not address European manufacturers' biggest traditional weakness – the belief that laboratory breakthroughs can substitute for efficient manufacturing and aggressive marketing.

The sceptics point out that in spite of all the R&D efforts the performance of the European IT industry has still to show any substantial improvement. Europe's IT trade deficit has continued to deteriorate in the past decade, industry profitability is poor and there are still few fast-growing product markets in which European electronics companies are world leaders.

Some EC officials have argued that more time is needed for results to materialise. But another explanation is that all the attention devoted to R&D may have obscured the more fundamental challenge of how to get new products to market faster.

Michiyo Nakamoto scans Europe's consumers

A healthy appetite

THE European market for consumer electronics is often slow to pick up new trends, compared with the markets in US and Japan.

The Japanese are avid consumers of electronics products, their enthusiasm unhampered by the monstrous presence of 30-inch TV sets in their already cramped living rooms.

The Americans may not have an indigenous consumer electronics industry, but the situation apparently has not dulled their appetite for new products.

In contrast, Europeans are slower to embrace new developments in consumer products. At the same time, European manufacturers of consumer electronics products have seen their profits slump and their home markets penetrated increasingly by foreign competitors.

However, the enlarged European region, including eastern Europe and the Efta states, is expected to become the world's largest market within the next five to 10 years. As such, it is of tremendous strategic importance to all the major consumer electronics manufacturers, regardless of their national origin.

Europe's indigenous manufacturers hope that the creation of a single market from next year will provide them with the strong home base necessary to remain competitive and from which they might launch their global ambitions.

Their efforts to achieve those aims have been two-pronged – they have stepped up their individual efforts at the corporate level to improve competitiveness and profitability, and they have attempted through the European Commission to formulate a European industrial policy in electronics, aimed at strengthening the European manufacturer.

Philips, for example, has re-emerged from a loss-making year in 1990 as a slimmed-down and more profitable organisation. The company has launched a series of new products, stepped up its marketing efforts and outlined a forward-looking strategy for moving into software as a means of supporting its hardware developments.

But as the vision of a single market takes shape, the route which is increasingly being explored to help the revitalisation process passes through the Commission.

To outsiders, this has often seemed like an attempt to keep Europe closed to external competition.

Thomson CSF, the French electronics company, and a leading champion of the European cause, said recently: "The European consumer electronics market is the largest in the world and has the highest growth potential. This market must be conserved."

Over the next few years, this strategy of the manufacturers, in cooperation with the Commission, will be tested on both fronts, with the final test taking place in the marketplace.

So far, the road ahead is far from smooth.

On the corporate front, the recession, and particularly the cyclical downturn of the consumer electronics industry, has undermined European manufacturers' efforts to regain profitability.

As for a European industrial policy for electronics, the EC's latest directive on high definition television (HDTV) provides important lessons for the future.

The enlarged Europe is set to become the world's biggest market in the next five to 10 years

The directive calls for the adoption by manufacturers, television broadcasters, satellite operators and other interested parties of a Europe-wide standard for HDTV.

It was important to reach a consensus on a standard to create the single, harmonised market needed for manufacturers to benefit from a large home base.

"We don't want to start with a new fragmentation based on standards," commented Dr Joan Majó Cruzate, adviser to the directorate of the EC Commission responsible for telecommunications, information industries and innovation.

In practice, however, the conflicting interests of the various EC member states, and the different industries concerned, have resulted in a compromise solution that may be flexible but is fraught with difficulties, not to mention hopelessly confusing from the consumer's point of view.

European HDTV is already being audience-tested with the broadcasting of the Winter Olympics at Albertville. While this effort has been hailed by a Commission officer as an example of "European technology made in Europe and managed by European broadcasters," the move towards full HDTV still faces several hurdles.

The Commission's decision after lengthy negotiations that only satellite services launched after 1995 would be required to be broadcast in D2-MAC, an intermediate high definition format, could mean that the first step towards HDTV – the adoption of D2-MAC – could be sidestepped.

Since it is up to the broadcaster to decide whether or not to transmit in D2-MAC, the costs and the lack of hardware penetration mean that not many broadcasters are likely to do so.

Meanwhile, without a sufficient choice of programs broadcast in D2-MAC, consumers are not likely to invest in the costly hardware needed to appreciate the benefits of the new format.

According to Mr Joseph Flaherty, senior vice president of technology at CBS, the US media group, "D2-MAC has been in intensive care for several years, and the new EC directive has probably disconnected its last life support system".

The EC is proposing funding for broadcasters and other software producers to encourage broadcasters to sign up for D2-MAC.

Consumers, meanwhile, are likely to be more concerned about how many TV sets they will need to buy to enjoy full HDTV in Europe and when that day will come.

There is a real danger that the European compromise on HDTV will put consumers off buying a new set until the last moment when they can be more certain of broadcasts in a particular standard.

Nevertheless, regardless of the relative merits of the directive, it has certainly taken Europe's experiment in industrial policy-making a step forward. "The most important point is that it exists," Dr Cruzate says.

But will the directive, as a concrete expression of European industrial policy, help to revitalise the region's consumer electronics industry?

Will European manufacturers regain their competitiveness in time to seize this opportunity and take the initiative in bringing sufficiently attractive new products to the market? Will consumers support the strategy by choosing European products over foreign ones?

The next few years will provide clearer answers to those questions and will therefore be critical for the industry.

INFORMATION TECHNOLOGY IN EUROPE 6

US leaders slash costs to ride the slump, writes **George Black**

The scalpels are out

THE leading US information technology companies, battered by an unprecedented slump in business over the past two years, have been forced to take drastic cost-cutting action.

Now most of them predict a modest recovery in profitability in 1992, after substantially reducing their workforces and other expenses in Europe and at home.

Most of the major hardware makers, including the Americans, have either plunged into loss or sustained sharply reduced profits. IBM made a loss of £124m in the UK last year and reduced its payroll by 2,600. Compaq fell into its first ever loss in the third quarter and laid off 200 at its Scottish factory.

Unisys incurred a loss through servicing its debts and cut its European staff by 14 per cent. All of the leading US companies have been forced to slim down, trying to save money on production and distribution while keeping their sales operations intact and protecting their major accounts.

Across Europe sales of most types of systems have fallen steeply, both because of the economic recession and because the market is now almost as saturated as in the US. Prices have been depressed by an excess of suppliers and the greater standardisation of products.

The US manufacturers which dominate the European market have been troubled by these problems as much as their European rivals. With most of them already making 30 per cent or more of their income in Europe, there is little chance of expanding their European business to make up for slow trading at home.

There is no reason to expect any rapid revival in the market.

The level of European demand is now mainly determined by Germany, which is still wrestling with the challenges of reunification.

Most European countries are beset by political uncertainties and many large IT users are waiting to see what happens before they make any further investment.

Suppliers expect little change in the first half of the year with revenue flat or only

Laptop computers being made at Compaq's Scottish plant, which shed 200 jobs last year

Top 10 US I.T. Companies in Western Europe ($m fiscal 1990)

Company	Revenue Europe	Revenue World	Europe %
IBM	27,234	69,018	39.5
Digital	5,242	12,942	40.5
Hewlett-Packard	3,534	11,484	30.8
Unisys	3,088	10,111	30.5
NCR (AT&T)	2,212	6,285	35.2
Compaq	1,807	3,598	50.2
Apple	1,545	5,558	27.8
Wang	799	2,461	32.5
Amdahl	756	2,158	35.0
Sun Microsystems	676	2,466	27.4

Source: IDC

slightly up over the year as a whole. Although the volume of IT business may recover, with some bright spots in niche sectors, hardware prices are still under severe pressure and revenue will not grow in line with volume.

Mr Andreas Barth, Compaq's senior vice-president for Europe, sees no prospect of a return to the old days of 13 per cent profit and says he would regard 8 per cent as acceptable this year.

Mr Amit Chaudhuri, senior European research analyst at International Data Corporation, says the IT market has reached a temporary plateau and the investment climate across Europe remains bad, although he adds, "there is plenty of long-term scope for growth in the European market".

The advent of the Single European Market may help US suppliers to gain sales as well as increase their share of the business.

The prospect of the Single Market provided a boost for many IT manufacturers a couple of years ago, as their customers prepared for its arrival with a large capital investment.

IT vendors now expect a second phase of growth to follow the lowering of the barriers, as cross-border competition in many industries is becoming much more intense.

Mr Dick Nuthall, vice-president of marketing for Unisys in Europe, points out that a big new demand for networking and integration of systems should come from multi-national organisations, especially in the financial services sector.

The leading US hardware vendors believe that the Single Market should benefit them to some extent by removing a bias towards locally-based suppliers, particularly for public sector and utilities contracts.

Some feel that they have been unfairly discriminated against in the past, although that tendency has been less in recent years. Now the rules are clearer and most US vendors can meet the 50 per cent local content requirement laid down by the European Commission.

However, any significant improvement in trading conditions for American organisations in Europe will depend heavily on the outcome of the current round of GATT (General Agreement on Tariffs and Trade) talks.

Official rules are not the most important reason for the US companies increasing their operations in Europe. They believe their success here against indigenous suppliers is partly due to a policy of moving core research activities as well as manufacturing operations to Europe.

Mr Roger Wilson, Hewlett-Packard's European director of communications and public affairs, says the company has steadily built up its research laboratories at Bristol and other European research activities in the past few years.

HP's laser printer components factory at Bergamo was set up in 1990 as part of an effort to boost European production.

Mr William Bird, NCR's assistant vice-president of product marketing for Europe, says it is simply better to develop locally for local markets. NCR has research and manufacturing sites at Dundee, Augsburg and Utrecht. The Dundee facility is more attuned to developing multi-currency banking systems than any US facility would be, Mr Bird argues.

The Single Market is also radically affecting the way IT suppliers do business. Many have been reorganising their distribution operations to take account of faster customs clearance.

Compaq and Unisys are both moving from a distribution centre in each country to a single European centre. Unisys believes it will be possible to ship a mainframe anywhere in the continent in three or four days.

Several of the leading US suppliers contend that their success in Europe derives from having a more European culture and structure than indigenous companies, which are centred in one country with outposts in the others. They argue that they should therefore be better able to cope with the change to a Single Market.

The top US players have adopted notably different strategies for strengthening their European presence. Whereas Digital has sought to grow by acquisition – the Kienzle computer systems division of Mannesmann in 1990 and Philips' information systems division last year – IBM has so far opted for small minority stakes and a number of business partnerships.

IBM's recent 5-10 per cent stake in the ailing French government-controlled Bull company will help it enlarge its European customer base while at the same time cutting its development costs.

This agreement, and IBM's new relationship with Apple, are intended to address the fundamental problem of cost-cutting, as the industry leader tries to adjust to the much more competitive market.

IBM now sits alongside Japan's NEC as a minority shareholder in Bull – a situation which illustrates how Europe has now become a battlefield on which the US and Japan struggle for supremacy.

Michiyo Nakamoto on the Japanese presence

After the big rush

THE GREAT rush by Japanese electronics manufacturers to locate in Europe prior to the creation of a single market has subsided now that most of the leading companies are established in the region.

More than 120 facilities owned by Japanese electronics companies are in Europe and these are likely to draw in further investments by medium-sized component suppliers.

Contrary to popular belief, the main impetus behind the surge of Japanese investment in Europe has not been the fear of a "fortress Europe", although that has been a concern, but the growing need felt by Japanese companies to globalise their operations.

Japanese electronics companies see a strong need to be closer to their markets to ascertain the specific needs of those markets as competition intensifies in many of their product sectors.

There is also a clear assumption among Japanese companies that Europe is a growth market, which will become increasingly important with the closer integration of the Efta countries and Eastern Europe.

"The whole of the European block as a market is going to be in the next five to 10 years even more important than the US, and Japanese companies want to be sure to be here for that," says an official at one Japanese electronics manufacturer.

But there is a growing recognition among Japanese manufacturers that they will have to do much more than settle down in Europe to enjoy the full benefits of the unified market.

Some Japanese companies with a presence in Europe have discovered that a base within the EC does not necessarily guarantee acceptance as a European company.

When Fujitsu took control of ICL, the UK-based computer group, it was embarrassed to see it excluded from the Joint European Submicron Silicon Initiative (Jessi).

The Japanese companies' need to increase local content in Europe, to transfer technology and base more of their R&D activities there is more widely recognised but these trends have has been slowed in part by the world-wide recession.

Mr Tomotsu Harada, manager of the public affairs office at the Electronics Industries Association of Japan, thinks that once the profitability of Japanese manufacturers based in Europe is raised further efforts can be channelled into increasing local content.

In this respect, companies which have had a longer presence in Europe have the advantage of being more familiar with the capabilities of local component suppliers.

Panasonic Europe, for example, says that most of its 21 manufacturing plants in the EC have well over 50 to 60 per cent local content while its vacuum cleaner plant in Spain has about 90 per cent local content.

The group has also cooperated with local component suppliers for some time and claims collaborative relationships with several suppliers in the UK.

Panasonic, however, is an exception and many Japanese companies still complain that local suppliers do not meet their quality requirements.

The situation presents an opportunity for Japanese component suppliers to follow their parent companies to Europe. Their moves are being watched with concern by the European authorities, who fear that if too many Japanese component suppliers come to Europe, indigenous suppliers could be severely hurt.

Japanese manufacturers themselves are concerned that the trend could unleash further resentment within Europe.

Such concerns can only be alleviated if Japanese electronics manufacturers step up efforts to support local component suppliers through technology transfers.

At the eighth Japan-EC Business Roundtable on Consumer Electronics in Tokyo last October, the European position was put forward in a proposal by Mr Robert Verrue, of the European Commission's directorate on industry (DG Three).

Mr Verrue proposed that Japanese consumer electronics manufacturers set up support and development programmes to improve the competitiveness of European component suppliers. Japanese companies will not respond en masse to his call, but the message, at least, will have been heard.

In terms of R&D, Japanese efforts in Europe have been concentrated on developing products to meet specific market conditions, rather than on basic design and research.

In this respect too, early comers, particularly in the consumer electronics industry, have a head start. Mr Eric Bean, a director of Panasonic Europe, says that the group already has quite sophisticated development groups at many of its European plants.

For example, Panasonic's television plant in Cardiff is producing a completely pan-European television set which will be its first TV set to be wholly designed, developed and produced in the EC.

Toshiba, on the other hand, which started out as a sales operation in Europe, says that it does not yet plan to bring basic research to Europe, although it expects eventually to introduce applications research capability in Europe as well as the US.

Although it plans to increase manufacturing in the EC, localisation efforts will be focused first on increasing local sales staff.

Europe, however, may provide attractive possibilities for basic research in software, especially for medium to large computers, says Mr Shoji Hiroo, executive vice president of Toshiba Europa.

Meanwhile, moves by Japanese companies to form relationships with academic institutions in Europe could also increase. These, too, have been slower to materialise than has been hoped but, says Panasonic's Mr Bean, "Japanese companies still need a lot of brain power".

There are areas, such as opto-electronics and voice recognition where Japanese companies could learn a lot from academic institutions in Europe and the US.

Like other electronics groups, Japanese manufacturers are looking increasingly to communications systems, such as mobile telephones and office automation equipment, office computers and business systems as attractive growth areas in the years to come.

Andrew Jack on the changing face of world telecommunications

Many flowers bloom

THE TRANSFORMATION of telecommunications across Europe over the past few years has presented tremendous and undeniable challenges to the users and producers of information technology. Separating the trends from the shifting fog of change is another matter, however.

Mr Richard Hooper, special adviser on the information industry to PA, the consulting group, says sharply: "I hate the word de-regulation. I don't think it's happening."

He says the experience over the last decade in the UK and the US – two of the countries furthest down the process of change – is rather different. There has certainly been a growth in "liberalisation", with the injection of a greater degree of competition into the sector.

But it has been accompanied by a growth in regulation. In the UK, for example, there has been the creation of Oftel, the UK office of telecommunications regulation.

As a result, Mr Hooper prefers to characterise the last 10 years as a time of "re-regulation".

"The key is how much competition do you permit," he says. "That is the fundamental European issue. There is no doubt that we are seeing competition. But the questions are where and how much."

Terminology aside, he segments Europe very broadly into three categories on a spectrum of liberalisation. The UK, in common with the US and Japan, has overhauled telecoms more than most. The basic infrastructure itself has been freed from public control, alongside more peripheral aspects of the service.

Pressures for further change in the UK nevertheless remain. Sprint, the US company, has made it clear it is interested in operating within the UK, but will insist on access to profitable international routes from which new suppliers are currently barred.

Mr Laurence Heyworth, a telecoms analyst with Robert Fleming, the securities house, says:

"The UK has gone quite a long way down the road but it has hesitated in going the whole hog. If it allowed competition on international routes, the rates would fall dramatically. BT would have to raise domestic rates. Mercury's financial viability might be questioned, and it would lead to political troubles."

Germany and most of the north European countries, by contrast, hold an intermediate position in Hooper's typology, with some restrictions removed.

Callers in Britain: more competition and more regulation

Germany has not yet liberalised its network and voice systems, for example.

"Sooner or later there will be pressure for Germany to allow two suppliers of telephony and infrastructure," he says. He suggests that this will result in a toughly-contested battle with the Bundespost, which will argue it needs to be protected from competition, particularly after it has invested heavily in improving communications in the states of the former communist east Germany.

Overall, he says the northern countries "noticed the British model and saw that civilisation didn't end in the 1980s". More controversially, governments saw some evidence that prices had dropped as a result of liberalisation.

Then, he says, it is possible to draw a clear line through Brussels. Southwards, in the "Latin countries", he sees a more traditional, state-controlled service, which is likely to change more slowly.

In France, for example, two "sacred monopolies" remain: the infrastructure, including the carriage of data and voice information; and the voice and public switch equipment. These elements remain sacrosanct, he says.

That reflects both a traditional role of the French state in guiding manufacturing policy, and a sense of social and democratic obligations: that residential services should be cross-subsidised by more profitable national and international business calls to ensure the availability of a comprehensive and affordable phone service to everyone.

The UK has also gone further than most countries philosophically, he argues. The Department of Trade and Industry has decided that fundamental questions over the size of the market and how many players should be allowed should be left to the private sector to determine.

In the case of telepoint, the portable phone system which allows out-going calls from a lightweight handset held near one of a number of permanent base stations, that has resulted in licences issued to four operators, three of which are now dormant despite large expenditures on the installation of equipment and recruitment of customers.

Hooper believes it is difficult to decide how far these fundamental issues should be left to the market.

"It's not the same as making decisions about supermarkets," he says. The distinction is that telecoms involve the use of a scarce resource, and involve what he calls "the constraint of how many people want to dig up the road outside". "Even the most liberal Americans would say that it was crazy to go too far. You need some mechanism to help you decide," he says.

The implications for the suppliers and users of information technology are widespread but not clear-cut. Hooper sees "a classic consolidation of the industry" taking place. Research and development costs are forcing collaborations.

He sees the number of equipment suppliers dropping as a result. A key question is whether there will be a convergence between computer and telecom suppliers.

Robert Fleming's views are similar. In a research report released this February, it argues that Alcatel Alsthom, the market leader for public communications networks, will survive because of both its size and its geographical and product spread. (This was underlined last week by its purchase of ITT's 30 per cent stake in its main telecoms subsidiary, Alcatel NV.)

Siemens has some of the same advantages, but is heavily dependent on Germany, and is likely to suffer as a result with pending de-regulation and privatisation. Smaller suppliers such as Ericsson and Nokia are already suffering cutbacks in delivery volumes. The future of two companies, and of Ascom, an Ericsson licensee, is considerably more in question, Flemings argues.

Liberalisation has certainly boosted the variety and types of equipment manufactured. For users, it has meant very good news: there has been a huge increase in the speed, variety and range of telecommunications services provided. These include cable television, electronic document interchange and video telephony, for instance.

On the one hand, the market has grown substantially in those countries which have been opened up to competition. On the other, the pace of innovation and the introduction of new competing businesses has also brought price reductions and the demand for quicker delivery. "In the golden old days, there was a monopoly buyer, and long-term fixed-price contracts," he says. "Now it is much more complicated."

Adds Heyworth: "I don't think you could argue that liberalisation has benefited IT equipment suppliers in the short term. It's more a matter of what could happen in the long term. It is totally inevitable across Europe that telecoms will become entirely competitive."

Hardware makers have never had it so bad, writes Alan Cane

Cries of desperation

EUROPE'S top computer executives must be wondering if they made the right career choice these days. There are seemingly precious few rewards for staying in the hardware business. The European computer market has always been tough.

Now a combination of the recession, increased competition from the US and Asia and a resistance to buying more computer equipment among their customers has stacked the deck resolutely against European-owned players.

A note of desperation is creeping in. In a grim note to his staff, Mr Carlo de Benedetti, chairman and chief executive of the Italian Olivetti group, outlines a new management structure, adding: "I am firmly convinced that this new organisation is the most appropriate for the difficult months ahead, during which the survival of the company will be at stake."

Some top computer executives have already decided to seek their rewards elsewhere. Mr Arno Bohn, former managing director of Nixdorf, the ailing minicomputer manufacturer taken over by Siemens two years ago, left to become chief executive of Porsche, the luxury car manufacturer.

Mr Vittorio Levi, a former Olivetti executive who became managing director of Nokia Data, the personal computer manufacturer, left to take up a senior post with the Italian fashion house Georgio Armani when the Finnish unit was acquired by ICL of the UK.

The European landscape is considerably less populated than a few years ago. Fujitsu of Japan acquired ICL which in turn acquired Nokia Data. Keinzle, a minicomputer maker at one time owned by Mannesmann of Germany, was sold to Digital Equipment (DEC) of the US. Last year DEC also acquired the minicomputer interests of Philips of the Netherlands. Norsk Data remains independent but is still losing money despite a dramatic shift in product emphasis.

The world IT market is dominated by US suppliers although Japanese mainframe suppliers are making an impressive showing.

But of the top 10 manufacturers, only three are European, 1990 statistics demonstrate. Siemens-Nixdorf of Germany is in eighth place with a turnover of \$7.7bn, Olivetti is ninth with \$6.4bn and Groupe Bull of France 10th with \$6.3bn. All three are currently losing money.

Siemens' computer operations had been making a modest profit, but the merger with the hugely loss-making Nixdorf left it a legacy of unprofitability which it will take time to shake off. To put Europe's troubles in perspective, the computer industry is in trouble world wide. IBM, the world's largest computer manufacturer, lost money last year after taking substantial restructuring charges. Profitability has been much reduced at the leading Japanese suppliers, Fujitsu, NEC and Hitachi.

Nevertheless, Europe's makers are becoming "marginalised" according to the French consultancy Idate which points out that in 1990 European-owned groups accounted for only 13.9 per cent of the \$278.5bn world IT market, while consuming more than 35 per cent of the total. By comparison, in 1990 Japan accounted for almost a quarter of global production.

There are a number of reasons for Europe's relative weakness in computing. Despite the advent of the single market, Europe remains a series of small markets each with its own computer champion. Insular attitudes have meant that although these companies collaborate in pre-competitive research and in transnational programmes such as the EC's Esprit, it has proved impossible to persuade them to work together on a grand scale for the common good.

These days, in any case, the wisdom of such an approach is open to question. Small, agile units able to respond quickly and flexibly to customer needs would seem to have the advantage over centralised and monolithic bureaucracies. IBM, for example, is trying to recreate itself in the form of a series of smaller, specialised units each with profit and loss responsibility.

Merger has become, in any event, an academic question for Europe's surviving manufacturers. There is little talk any more of full blooded takeovers; the aim is rather to form alliances with stronger partners able to help defray research and development expenses and giving economies of scale in production.

Olivetti's Carlo de Benedetti: a matter of corporate survival

Bull's Francis Lorentz: 10th biggest manufacturer

The European Commission, while anxious to help indigenous producers, has turned its face against subsidies or other means of providing aid which might be seen as anti-competitive. It is still considering whether French government plans to pump millions of francs into Groupe Bull are acceptable.

It is, however, prepared to provide the impetus for what has become known as the European Nervous System, a transnational computer network designed to help to co-ordinate aspects of social policy throughout the community.

The options open to Europe's manufacturers are narrow and getting still narrower. They are all heavily overstaffed and must lose people on a large scale.

In the case of Olivetti, it required six weeks of negotiations to persuade the Italian government and trade unions to agree to a cut of 1,500, far short of the 2,200 the company was hoping for.

They must also look for niche markets which play to their strengths. Now only IBM can hope to cover every area of the hardware business. Groupe Bull, after a protracted discussion period, has signed a broad ranging alliance with IBM giving it access to the US giant's expertise in reduced instruction set computing (risc) as well as a market for portable computers from its Zenith Data Systems subsidiary. IBM, in return, benefits from Bull's expertise in multiprocessing and networking. The deal gives Bull substantially more credibility in the marketplace. Mr Francis Lorentz, Bull chairman, is looking more relaxed than for many months.

Siemens and Nixdorf have yet to settle into a comfortable working relationship. Broad cultural differences between the two companies are said to be causing difficulties and delaying the synergies expected of the merger. This is common in the computer business, where troubled mergers are more common than successful ones. It took ICL years to paper over the joins between English Electric, Ferranti Computers and other companies which went into the making of the former British computer champion.

If there is a future for a European owned computer industry, it lies in services rather than hardware. Siemens Nixdorf already derives 37 per cent of its revenues from services, Olivetti 27 per cent and Bull 36 per cent.

Semiconductors lack a local hero, writes Michiyo Nakamoto

Outsiders in full command

IN THE build up to a single unified market, concerns over non-European supplies of semiconductors prompted calls to create a European industry heavyweight champion.

But as the formation of a single market draws ever closer, the prospect of a powerful European semiconductor group able to take on foreign competitors has faded.

Even Thomson-CSF, the French electronics group which until the very end had hoped for a merger of SGS Thomson, its semiconductor business, with those of Siemens and Philips, was forced to admit that there was no European champion.

Leading European manufacturers have been left to take their own initiatives in regaining competitiveness.

Philips, the large Dutch electronics group, which was the only European manufacturer in the the world's top 10 semiconductor manufacturers last year, has put profitability at the top of its priorities.

After a substantial loss in 1990, Philips's semiconductor division managed to record a profit last year, largely through cost-cutting measures.

The next step will be to draw up a viable commercial strategy for the semiconductor business, which still depends heavily on internal demand from companies within the Philips group.

A huge debt burden means that Philips does not have much financial leeway.

It withdrew, for example, from certain programmes in static random access memory chips due to the excessive financial burden that those entailed.

Siemens, the German group which is soldiering on as the only European manufacturer of dynamic random access memory chips (DRAMS), is looking to its development agreement last summer with IBM to boost the flagging fortunes of its semiconductor business.

The decision by Siemens to co-develop the next generation of silicon memory chips – 16 megabit DRAMS – with IBM was what, in the end, killed the idea of a strong indigenous group to champion the European cause.

The IBM link is not, however, a short-term solution for Siemens.

The deal, in effect, allows the German group to acquire a much-needed technology drive from IBM. But this is not without its costs. The group's semiconductor division, which has not been profitable, received a large injection of capital from the corporate side to cover Siemens's contribution to the joint programme with IBM in DRAMS.

However, it will be some time before Siemens will be able to derive external sales based on the 16-megabit technology it is developing through the IBM link.

The market is just taking up 4-megabit DRAMS and will not be ready for 16-megabit technology for some time, says Mr Jim Eastlake, the senior computer industry analyst at Dataquest Europe.

As the single market draws ever nearer, leading European semiconductor manufacturers have been left to take their own initiatives to regain competitiveness

As for SGS-Thomson, the abandonment of the cause by other European groups left it in a rather awkward position.

It remained for the French authorities, led by Mrs Edith Cresson, the prime minister, to come up with an ambitious and highly interventionist plan, announced at the end of last year, to secure the future of the group.

By bringing it under the control of CEA-Industrie, the profitable industrial division of France's atomic energy commission, the scheme aims to provide a stable financial environment that would allow the semiconductor group to make crucial R&D investments.

The French plan to create a national champion in technology is in sharp contrast with the British approach as exemplified by the UK's GEC Plessey, Europe's fourth largest semiconductor group.

GEC Plessey has had to stand on its own two feet and make money, a factor which probably makes it more successful, Mr Eastlake says.

The group has opted to focus on specialist sectors, specifically on application specific standard products. In terms of application specific ICs (ASICS) GEC Plessey is approaching the top 10 worldwide.

These moves highlight the growing trend among European manufacturers to seek their own solutions to problems many of which they share in common.

Meanwhile, Jessi, the joint European research effort in semiconductors, is no longer the European flagship that it was meant to be.

This has not, however, ruled out collaboration between indigenous groups on a smaller scale.

Last year, SGS-Thomson and GEC Plessey agreed to pool their resources in the development of advanced semi-custom chips while the French group and Philips have also signed a letter of intent to build a state-of-the-art chip plant in Grenoble.

But as European manufacturers move ahead in their own efforts to regain competitiveness, foreign manufacturers have also been stepping up their activities within the EC.

Europe will consume \$20.7bn of semiconductors in 1995, according to a recent forecast by Dataquest. It is a highly attractive growth market.

Yet European manufacturers have only 35 per cent of their indigenous market, compared with Japanese manufacturers' 85 per cent stake in their own domestic market and 70 per cent of the US market held by American groups.

American manufacturers with plants in Europe may also start simultaneous manufacture of more of their new products in Europe and the US.

Digital Equipment (DEC), for example, announced that it will start to manufacture its new Alpha chips, powerful microprocessors theoretically capable of processing 400m instructions per second, both in the US and at its South Queensferry plant in Scotland.

Japanese semiconductor manufacturers have forged ahead with plans to set up manufacturing plants in Europe.

While these moves could lead to foreign competitors increasing their share of the European market, the trend has been for Japanese manufacturers to win market share from the Americans rather than for both to take share from indigenous players.

So, while the share of European companies may not rise dramatically, it is not likely to fall much either but to remain stable at its present level.

Regional demand is dependent on regional strength in applications, says Dataquest's Mr Eastlake. The main threat of American companies is in computer applications, an area in which Europe does not have as strong a demand base as in other areas.

European manufacturers have strength in communications, auto, industrial and consumer applications where they will continue to see demand from their European buyers.

The European semiconductor industry in the years ahead will continue to see manufacturers from the leading industrialised regions co-exist as competition for market share intensifies.

For the Europeans, the main question will be what strategy to adopt in trying to regain competitiveness.

The relative success over the medium term of those groups which go for profits first, exemplified by GEC Plessey and to some extent Philips, compared with the groups that are guided by an interventionist, nationalist stance, should provide a salutary lesson for European industrial policy not only in electronics but in other areas as well.

Mobile phone calls will soon span the Continent, writes **Neil Buckley**

A boost for push-button power

MOBILE telephones will soon become truly mobile. Within the next two years, it should be possible to drive from Helsinki to Rome and use the same handset anywhere along the route.

It is an impressive vision, although achieving it has taken rather longer than was originally hoped. Fifteen countries signed the memorandum of understanding in 1987 to set up the pan-European cellular communications network. with a target of July 1991 for the launch of a service covering at least each country's capital city. Problems with the technology, wrangles between different manufacturers and other delays meant that by the end of 1991 only a handful of countries had anywhere near a functioning system.

Mobile users will be able to make and receive phone calls in any country in the European system

"I think the original targets were a bit tongue-in-cheek," says Mr Chris Gent, managing director of Vodaphone, one of the UK's two cellular phone operators. "They needed to give people some sort of impetus, but the fact that we have got as far as we have is quite an achievement."

The aim of the initiative – called GSM, the Groupe Spéciale Mobile – was to set up a standardised cellular network for the whole continent, run by individual operators in each country.

Mobile phone users will be able to make and receive calls in any country in the system. Their phone will register on the country's network when it is switched on, and the network will record and regularly update its location so that incoming calls are automatically rerouted.

System users' details will be recorded on a "smart" card, the size of a credit card, containing a microchip. When this is plugged into the slot in a GSM phone, the phone will temporarily "adopt" the user's number, and all calls will automatically be billed to the card owner. This will allow users to travel without their own phones, but use standard handsets fitted in hire cars, for example.

In addition to standard facilities such as call hold, call transfer and multi-party, a "short message" service will allow messages of up to 160 characters to be sent to a subscriber and stored even when the phone is turned off.

A cell broadcast facility will allow short messages – for example, warnings of traffic delays or accidents – to be sent to all phones within a certain geographical area.

Perhaps most importantly, the system will be fully digital, improving both voice and data transmission.

Digital encryption also makes calls virtually invulnerable to interception, making the system suitable for police and the military.

Fax and data transmission will be much faster than in existing systems at 9,600 bits per second, and as the system is digital modems will not be required.

GSM is at last becoming a reality, although it seems unlikely that all these features will be available before the end of 1994. And there are still some teething problems.

While the technological challenges presented by the system itself have been largely overcome, testing equipment to ensure products meet the system's exacting standards is still being developed. For example, while Telecom Finland and the UK's Vodaphone successfully tested the first sections of their GSM systems last year, neither is able to sell any phones.

"It is," as a telecoms expert put it, "a bit like building a beautiful motorway and there being no cars to run on it."

To speed up the process, an interim testing standard has been adopted, less exacting than the full specification, and testing equipment should be available before the summer.

Technical challenges have been solved but testing equipment for the new products is still being developed

This could mean, however, early subscribers to GSM facing the possibility of having their equipment recalled if it fails to pass the more stringent full tests later next year.

There are other possible disincentives. GSM phones will initially be much more expensive in the UK – between £1,200 and £1,500 ($2,100 and $2,625), against the £200 to £400 paid for existing analogue cellphones, although the difference in price will be less in other countries where analogue phones are more expensive. They will also be much bigger, and more than twice the weight.

Most operators are confident that economies of scale will allow for a swift drop in prices, and that, having successfully developed suitable digital hardware, manufacturers will now concentrate on miniaturisation. Mr Damien Callaghan, a spokesman for Cellnet, Vodaphone's competitor in the UK market, says: "GSM is not a technology issue, it's a marketing issue. Initially our salesmen face the challenge of selling something that is bigger, more expensive, doesn't do as much, and can't be used in as many places as our existing product. "By 1994, however, we believe all that will have changed."

Cellnet is introducing its own GSM service later this year. Vodaphone, whose service was launched last December, says it expects to provide nationwide coverage by the end of 1993.

Before that it plans to launch a second service on the back of GSM, which could prove a blueprint for similar systems in Europe.

The Micro-Cellular Network, or MCN, will be a low-cost urban-based portable telephone service aimed at domestic consumers.

Call charges are expected to be cheap, from only 10 pence ($0.17) a minute within a user's home town, to 20 pence a minute for national calls. If they occasionally roam further afield, MCN subscribers will be able to access the nationwide and pan-European GSM service albeit at a premium rate.

Mr Gent believes the UK mobile communications market could be as large as 7m by the end of the century, with the as yet untapped domestic market accounting for half of this.

This venture and similar ones elsewhere in Europe will face competition for the domestic market from Personal Communications Networks. These will comprise pocket-sized phones using higher-frequency 1.8GHz (Gigahertz) radio signals over shorter distances to link users to traditional telephone exchanges via a system of relay stations.

Supporters argue that PCN has a number of advantages over GSM, including smaller phones, and a greater network capacity as cells are smaller, and so the same frequency spectrum can carry a greater volume of calls.

Three UK companies – Microtel, Unitel and Mercury communications – are developing PCNs, with the latter two having agreed to share much of the infrastructure and already installing it.

On a Europe-wide basis, however, GSM remains the most important advance since the development of cellular phones. It is also a catalyst which is changing the way European telecommunications operate. Many countries are using it to introduce competition to nationalised monopolies.

In eastern Europe cellular networks can be a cheap way to introduce business communications links

It looks likely to spread into eastern Europe, where, as demonstrated in east Germany, cellular systems can be a cheap and effective way of introducing a business communications system.

Whether it will go any further is doubtful. While Australia, New Zealand, and some Middle Eastern and African countries have shown interest in GSM, both the US and Japan have plumped for different standards.

The dream of a global mobile communications system remains some way off.

Any place, any time: making a cellular call on London's Thames Embankment

SOFTWARE AND COMPUTER SERVICES

Battleground where giants contend

EUROPE is the cockpit for the latest round in the battle of the information technology giants – the struggle for a leading position in software and computer services (SCS).

SCS is a heterogeneous sector, difficult to define and analyse. In Europe, there may be as many as 16,000 small SCS companies as well as a small number of large ones, not one of which has more than a few per cent of the market.

The sector comprises, however, five broad areas of activity.

● First, there is consulting services, including the development and management of IT strategy. The consulting arms of the large accounting firms, Andersen Consulting, Price Waterhouse, Arthur Young and so on have traditionally had a strong position in this area, as have the US management consultancies McKinsey and CSC-Index.

Few European owned consulting firms have the global perspective and coverage of these large players, nor have they the financial muscle to stay at the forefront of research and development.

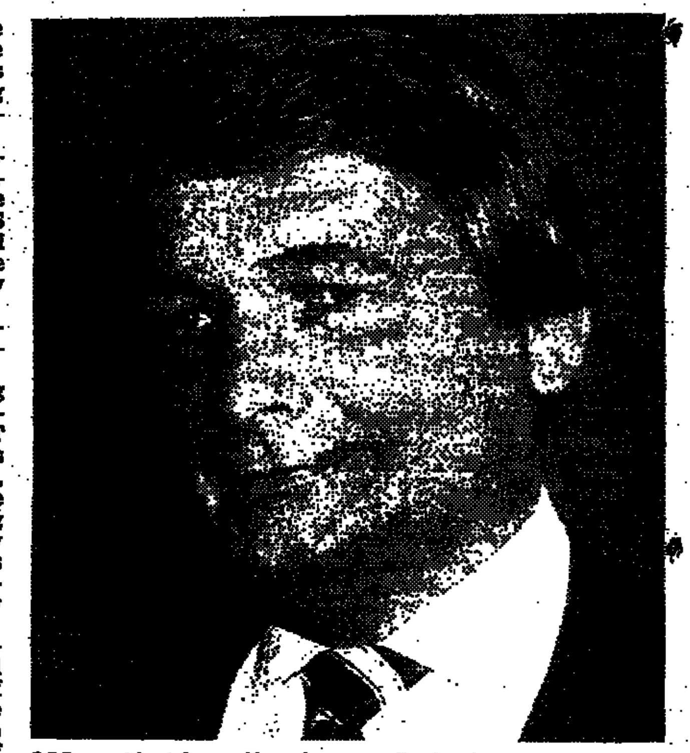
● Second, processing services. Computer bureaux offering simple data processing services to companies without their own computers are effectively extinct, killed off by the growth of the microcomputer (although a few companies have maintained a thriving business in payroll processing). Today processing services encompasses sophisticated activities like facilities management and data network management. Cap Gemini Sogeti (CGS) of France, Sema Group of the UK/France and Electronic Data Systems of the US are among the leaders.

● Third, professional services. The traditional stamping ground for SCS companies, this includes technical assistance, business software, industrial software, training and education. The leaders include CGS, Sema Group of the UK/France and Volmac of Holland.

● Fourth, software packages. This area has always been dominated by US companies; when mainframes were at theheart of the computer business, financial packages from Management Science America and McCormack & Dodge were the principal competition to bespoke solutions written by European companies. Now major US microcomputer software suppliers like Microsoft, Lotus Development Corporation and Wordperfect have the lion's share of a market in which few European companies have any presence.

● Fifth, systems integration (SI). SI has many definitions, but essentially means putting together the best mix of software and hardware to solve a customer's IT problem. Large SI contracts are often let on a fixed price basis and demand considerable expertise on the part of the computing services company if costly delays and overruns are to be avoided.

SD-Scicon, a UK computing services company in which British Aerospace held a stake, was sold last year to EDS of the US after more than a dozen fixed price contracts slipped out of control leading to more than £20m in losses.



CGS president Serge Kampf: among the leaders

According to Sema Consulting, a leading Anglo-French player in the SCS sector, the European market is the world's second largest after the US with sales estimated at Ecu85bn in 1995. Sema says: "The European market is expected to grow at 12 per cent from 1990 to 1995, much reduced from the average annual growth rate of 24 per cent of the past five years."

Sema says that systems integration and software packages have the highest growth rate while professional services and software packages will account for two thirds of the market by 1995. Computing services, nevertheless, remains one of the few areas of growth in an industry hit by recession and market saturation. That is why it is so important to so many different kinds of player.

The large computer manufacturers, for example, are exanding their services activities to compensate for declining profit margins on hardware. ICL, the UK-based subsidiary of Fujitsu of Japan, now derives more than half its revenues from services.

IBM is strengthening its activities in systems integration. Earlier this month in the UK it announced it would set up a separate computing services company with a staff of 1,500 to tackle facilities management and consultancy.

There is a measure of scepticism among traditional SCS companies about these moves on the part of hardware manufacturers; the fact remains that when IBM expands into a market sector, everybody has to take its presence seriously.

These trends are contributing to the changes the SCS industry is going through. The market is maturing, technological change shows no signs of decelerating and there is a shift towards a more capital intensive industry – with the inevitable acceleration in the rate of mergers and acquisitions as the principal players look for size to guarantee stability and survival.

Where are the European-owned players in all of this? Unlike the hardware business, where Europe has little to offer, it has a range of skills in software and services that are the equal of any. It has, however, few companies with the size, finance and skills of EDS, the computer services arm of General Motors.

An exception is Cap-Gemini-Sogeti, the largest SCS company in Europe with annual sales of about FFr10bn. It has pursued an aggressive acquisition policy at home and abroad with the intention of building a company with strengths in France, the rest of Europe and North America.

To date, few European software houses have made much of an impact outside their home countries. SAP of Germany is, however, having considerable success providing integrated accounting software to large corporations who are beginning to standardise world-wide on its product.

Microfocus of the UK continues successfully to sell software tools which make it simpler to write programs in Cobol, the most common business computer language.

There is, however, no real European challenger to the major US packages like Microsoft's MS/DOS and Windows 3.0 or Lotus Development Corporation's 1-2-3 spreadsheet. And none is likely to appear unless the European Commission can bring about a speedy harmonisation of national traits and practices. Europe remains a collection of small, heterogeneous markets where software cannot be moved easily from country to country.

European countries lack the skills in international marketing and distribution necessary to succeed overseas, especially in the US. An interesting test case is Sage Group of the UK, a successful supplier of low-cost accounting software in its home market, which has bought a somewhat similar US company, DacEasy Inc, of Dallas, which has been selling its accounting software internationally.

Alan Cane